



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

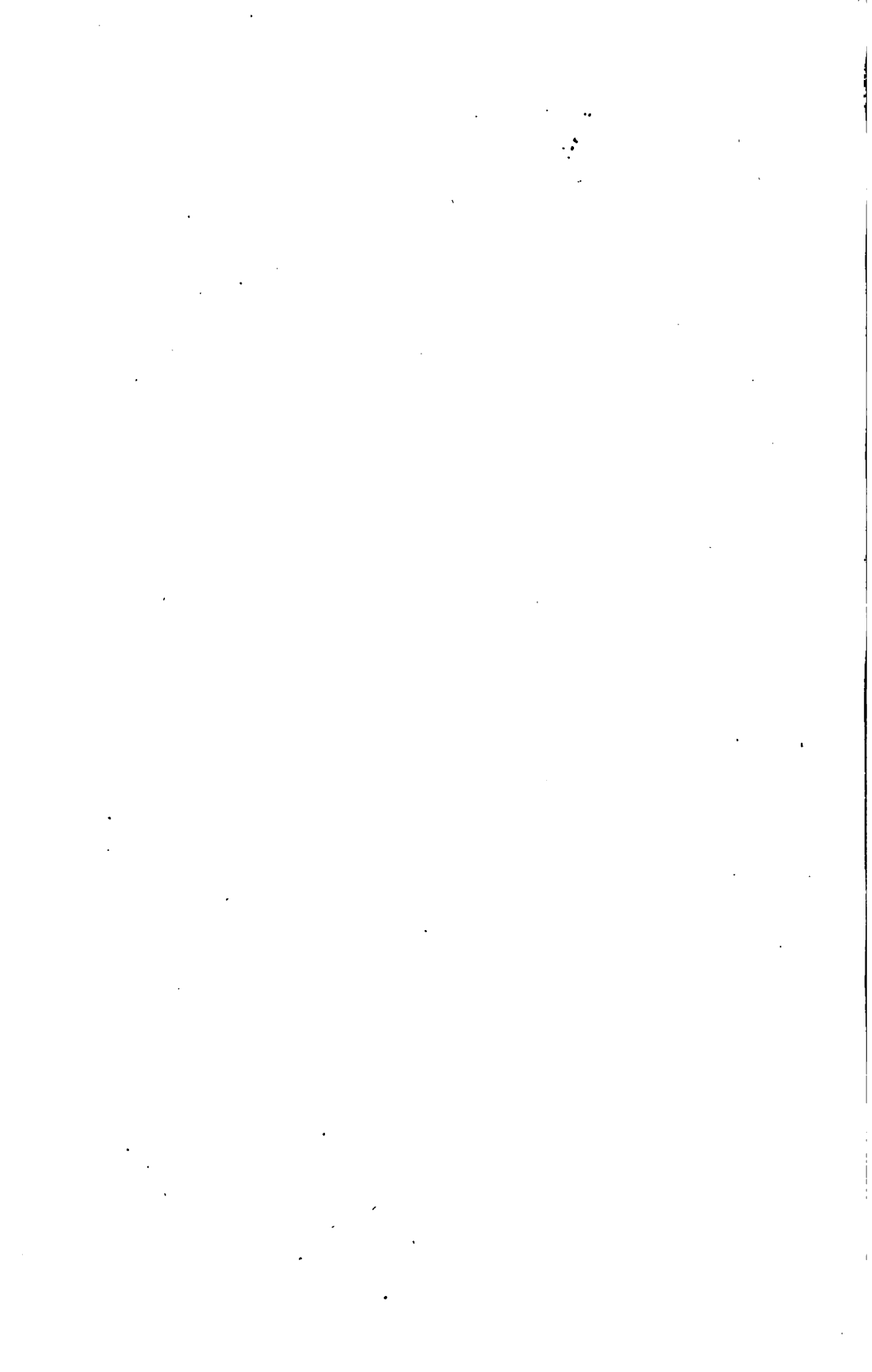
About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

40.

1237.





FLUCTUATIONS
OF
CURRENCY, COMMERCE,
AND
MANUFACTURES;
REFERABLE TO
THE CORN LAWS.

BY
JAMES WILSON, Esq.



LONDON:
PUBLISHED BY LONGMAN, ORME, BROWN, GREEN, AND
LONGMANS.

1840.

1237.

LONDON :
Printed by WILLIAM CLOWES AND SONS,
Stamford Street.

INTRODUCTION.

THE frequent recurrence of periods of excitement and depression in the monetarial and commercial interests of the country, and the serious evils which have thereby been inflicted on all classes of society, have become matters of the gravest interest.

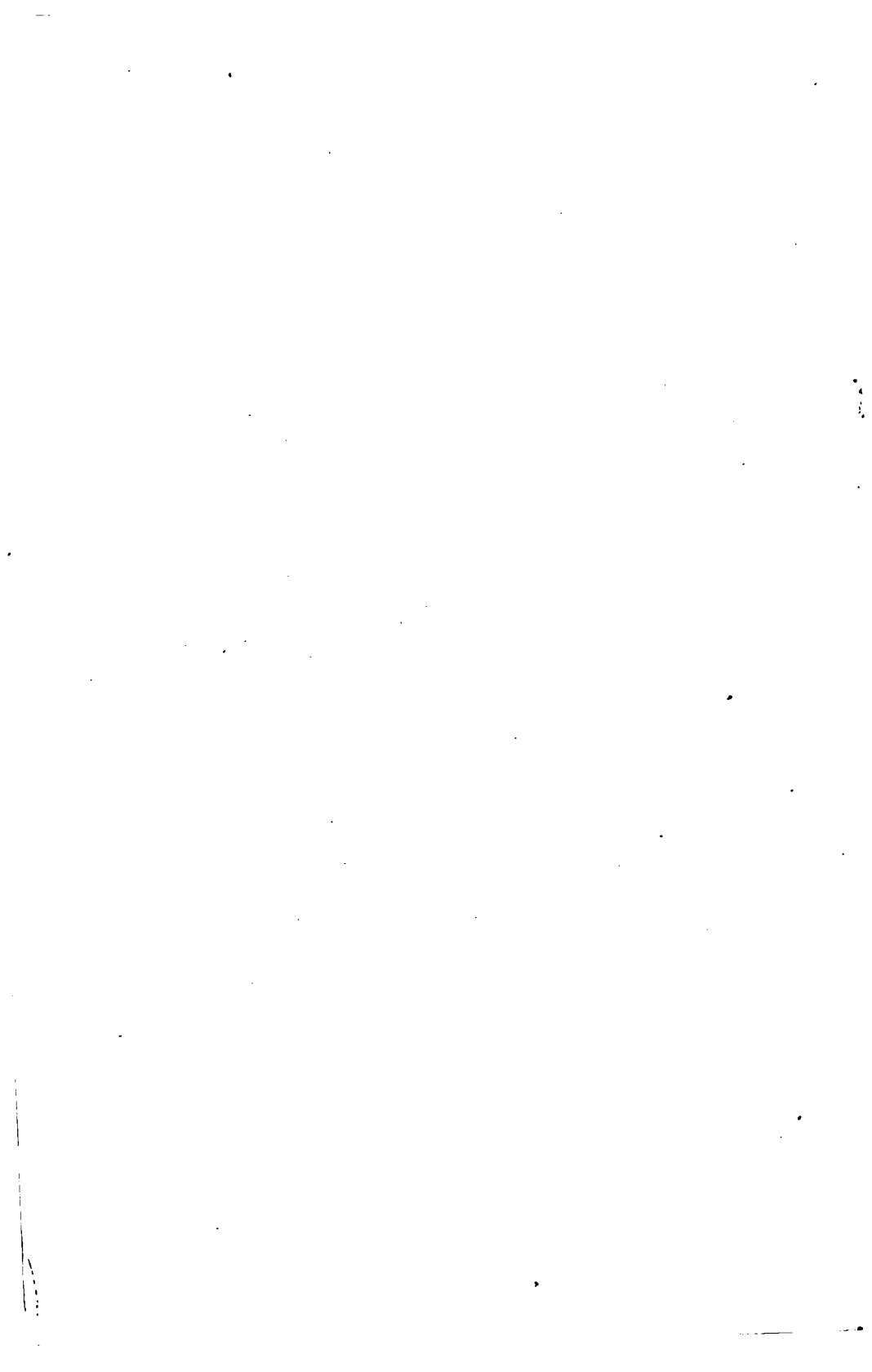
In the numerous inquiries which have been made as to the cause thereof, with a view to remedial measures, attention has been directed almost exclusively to the operation and management of the currency and banking system of the country; so much so, that it appears to be almost implicitly admitted, that somewhere within the range of these subjects the true cause is to be found; and in consequence, the inquiry appears in a great measure to have been narrowed into a consideration of the principles upon which they are and ought to be conducted.

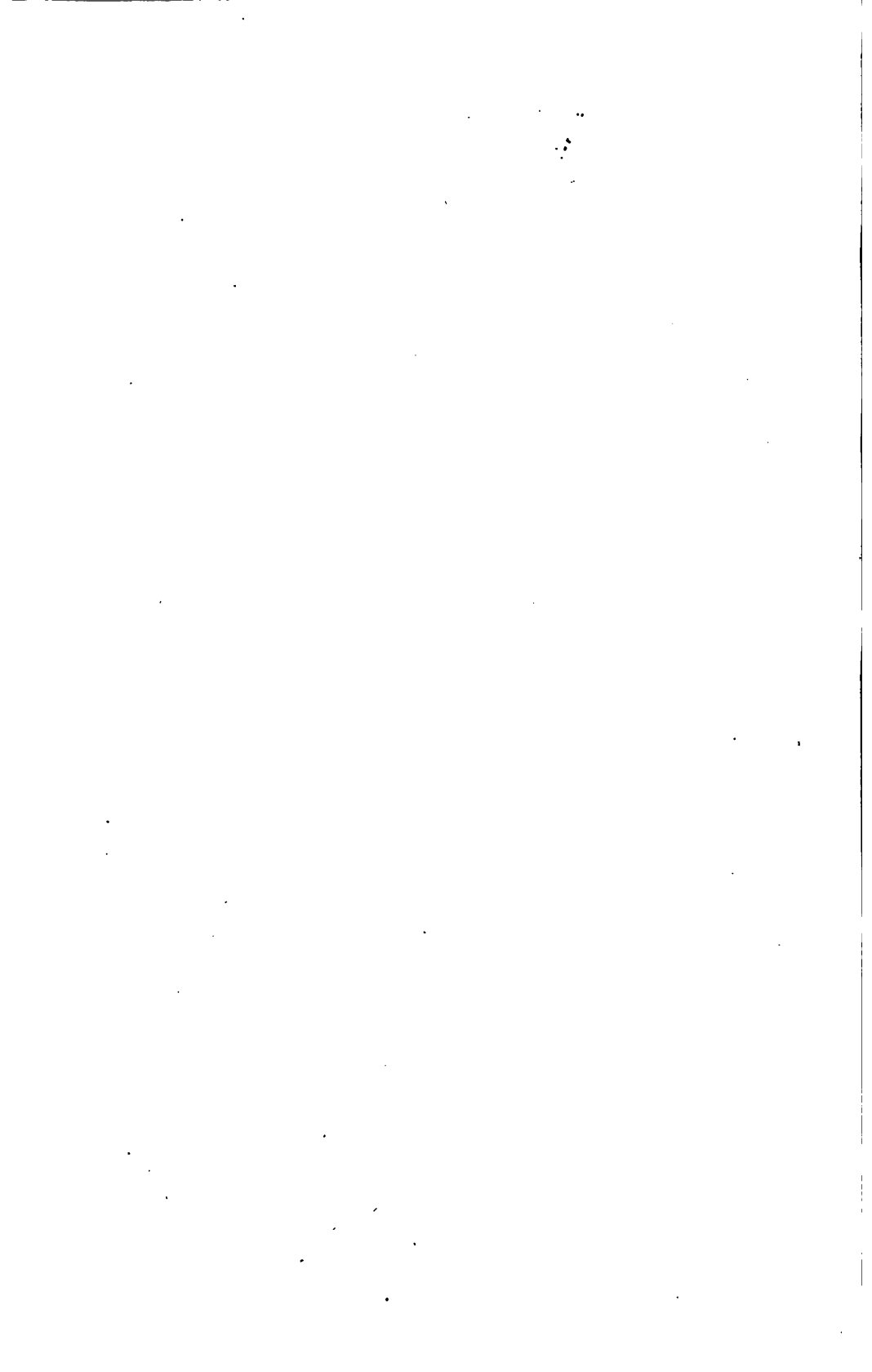
As yet, however, no satisfactory result has attended these inquiries, and the further they proceed, the more it appears that these influences are too much themselves under the control of the public feeling, and to be regarded as the cause of these constant fluctuations.

40.

1237.







FLUCTUATIONS
OF
CURRENCY, COMMERCE,
AND
MANUFACTURES;

REFERABLE TO

THE CORN LAWS.

BY

JAMES WILSON, Esq.



LONDON:
PUBLISHED BY LONGMAN, ORME, BROWN, GREEN, AND
LONGMANS.

1840.

1237.

months of larger amounts, and therefore showing a larger stock than is actually on hand; and so also in the case of an increasing stock, it is equally evident that at the moment when it is at the highest point, that month being averaged with the two preceding of smaller amounts, must show a smaller sum than is actually possessed. Thus the smallest and largest amounts of bullion in possession of the Bank is never shown; and thus the fluctuations are even greater than displayed by these returns.

This table furnishes only an index of the *proportions* in which these fluctuations have taken place, and has little or no reference to the *actual amount* of the fluctuations of available capital in the whole community.

We must disclaim any intention of entering into the general question of the currency, or of the constitution and management of the Bank of England, further than is necessary to elucidate the causes of these fluctuations, and to show what influence the Corn Laws can fairly be said to have exercised over them, or how far they can be proved to have been the chief causes thereof.

For some years past, during the exciting and ruinous changes which have taken place in the *money market*, as it is termed, men have eagerly sought for reasons and cures; but, as is too frequently the case, mistaking effect for cause, mere symptoms for the disease, the extent of that inquiry has seldom proceeded further than all agreeing in denouncing the

Bank of England and the caprice of its management (expanding and contracting the currency at pleasure) as the groundwork and base of all the mischief: nor is this a matter of surprise when we consider that these fluctuations and changes must first be made visible to the public eye by the policy of that establishment, however little control it can exercise over them.

There is no greater danger to society than arriving at and resting satisfied with an erroneous cause for an existing evil. In the first place, it is apt to preclude further investigation; and in the second place, a cure to such evils is difficult to effect, when opposed on untrue grounds: there are always some parties who are more or less interested in existing evils; and to them it is no difficult task to oppose arguments which have not as their base the strength and symmetry which truth alone can afford them: to this reason, we think, may be attributed the continued existence of many of the most glaring evils long after they have been almost universally acknowledged as such.

Whatever are the defects of the constitution of the Bank of England, and however inefficient that establishment may be for the supposed position which it holds as the head of the monetarial system and arrangements of the great commercial country, it is no difficult task to prove that the charge here brought against it *cannot* be true, that it must indeed be *too innocent* of any charge of exercising a control over the currency, and that, therefore, the general reasons assigned for the changes in the money market are equally erroneous.

The Bank of England is an establishment possessed of an enormous capital ; but that capital is more than absorbed by loans to the Government, and therefore not available for the general purposes of business ; but it communicates to it all the credit and security which could be afforded by the government ; which, with a certain degree of publicity given to its actions, secures to it an extent of confidence greater than is enjoyed by an other such establishment in the world.

In respect of credit, therefore, while the Bank of England ranks highest, in respect of real available, independent means of conducting its usual business it must rank on the lowest scale of solvent establishments. It, therefore, necessarily follows, that when money is everywhere abundant and prosperity general, the resources of the Bank of England must be very great : at such times the surplus of every man throughout the country finds its way to his banker ; a portion of the surplus of the bankers throughout the country finds its way to their agents in London for employment ; and the surplus of these agents, as well as all the London bankers, finds its way to the coffers of the Bank of England, as the most accredited place of safety ; and thus constitutes an index not of the wealth and capital of the Bank of England, but of the extent of surplus capital possessed at any given moment by the whole country : at this moment the Bank of England has no power to prevent money being cheap, as it is termed, because it is universally abundant ; and being obliged to employ its deposits and circulation for the benefit of its proprietary (we speak of the Bank of

England as it is), it must do so at the rate established by the law of supply and demand, or leave all the business to be done by other establishments.

In like manner it follows as necessarily that when money is everywhere becoming scarce, the surplus balances of money must be everywhere diminishing; individuals throughout the country draw a larger portion from their bankers, who, in their turn, retain a smaller amount with their agents in London, and who, with all the London bankers, have less to employ in loans and discounts and smaller balances with the Bank of England. If, then, the cause which has rendered money scarce, has proceeded from a demand to send money abroad either to purchase some necessary such as corn, or to conduct some huge speculations into which the public has been tempted, or to carry on an expensive war, the unusual transfer of this capital from this to another country can only be accomplished by the means of bullion as having a common and well ascertained value everywhere: the Bank of England is, then, not only called upon to give up a large portion of her deposits, but also to redeem a portion of her notes for gold; and thus, without any independent resources of her own to fall back upon, she becomes the more seriously and dangerously affected by the pressing scarcity than any other solvent establishment in the country. The situation of the Bank of England is, then, not an index of any diminution of its own wealth or means, which remain as safely locked up as before, but of the general dimi-

nution of the floating money of the whole country available for trading purposes.

The Bank of England is now competent to conduct its transactions as before only in reference to supply and demand; and in the rates of interest to be governed by the general market value, having no control whatever over them at either period. If, at the former period of plenty, the Bank of England were to attempt to charge more than the market value, in order to make money scarce, the consequence would merely be that all the business would be done by other establishments; or if the Bank of England were to attempt to charge less at the latter period than the market rate, in order to make money abundant when it really was not so, two days would exhaust her reduced means; and in neither case would she be able to pay any dividends to her proprietors.

It must, however, be admitted that there are many circumstances connected with the movements of the Bank, which naturally give rise to the erroneous opinion that these movements are the causes which induce fluctuations. From the position which we have just explained the Bank to hold, it is evident that the directors of that establishment must be the first to notice, by their own internal index, any movement which is going on either to render money scarce or abundant; they must be the first to observe either the efflux or influx of bullion; they must first feel either an increasing or decreasing demand for money. And

from their own dependent state on these events, requiring always the greatest watchfulness to look before them for their own safety and protection, or profit, they are forced into a line of policy, the reasons for which are not visible to the public eye at the moment, and which, as they afterwards become developed, are often mistaken as the effects instead of the inducing causes of the policy of the Bank.

These are the simple facts which must ever influence this establishment as at present constituted, however different circumstances, political and civil, are continually occurring to render them intricate and difficult to understand, however a season of prosperity gives rise to speculation and excitement, and however a season of alarm and scarcity creates fears and distrust, which alike aggravate the natural consequences of such occurrences.

It must, therefore, appear clear that the conduct of the Bank of England as connected with the fluctuations complained of has been merely part of the *effects* and *symptoms*, not the *cause* of the disease—that it is utterly innocent of causing these changes, and as utterly weak and powerless to control them. It would be far different if it traded upon its own real substantial capital, instead of only upon a credit, however good, or privileges, however valuable, purchased at the cost of locking up that real strength.

We must look to some wider and more extensive first cause for these fluctuations and changes in the condition of a nation the most uniformly industrious,

persevering, and enterprising that has ever existed, and we believe that we shall find some more satisfactory result in attributing them to the huge fluctuations in the amount of its means which, from time to time, have been required to pay for the necessary subsistence of life ; or, in other words, to the fluctuations of the price of food, which we have shown in a former work to be the necessary consequence of a restriction of the supply of that first great necessary.

It may be here useful to examine what is the amount of the national income which is on an average absorbed in the price of wheat ; fluctuations being much more apparent in this than in any other of the great necessities of existence, we shall confine our attention to it, merely inferring from the result, the aggravation of the consequences shown, if the consideration had extended over every article. The nearest estimate of the annual production of wheat which we have been able to arrive at is as follows. It is estimated that there are, in average years, in the united kingdom five millions of acres cultivated with wheat, producing on an average three quarters and a half per acre. The following will, therefore, be the annual cost of wheat to the country :—

5,000,000 acres, $3\frac{1}{2}$ quarters per acre, will give 17,500,000 quarters ; from which deduct 1,500,000 quarters for seed, &c. ; will leave 16,000,000 quarters to be consumed by the country, which, at the average price of the last seven years, 52s. per quarter, will amount to the annual sum of £41,600,000.

It thus appears that the annual average value of the wheat consumed in this country is £41,600,000. In the absence of any accurate and authenticated statistical accounts, this apparently enormous sum is the nearest we can arrive at ; and although it may not be perfectly accurate, it is sufficiently so to elucidate our theory and argument.

This amount, then, we say, is absorbed annually from the national income to pay for this first great necessary, calculating the price at the average prices of the last seven years, which, including high and low, may be taken as a fair average price over a longer space. It will, however, be sufficiently evident, that in proportion as the price rises above or falls below the given average, that the amount of the national income and wealth which is then thereby absorbed in this great first necessary, must increase or diminish accordingly, and thus altering in the same proportion the amount left for all other purposes.

Thus, in the event of a number of cheap years following each other, when prices are below the average rate, the diminished amount of money absorbed in this way, accumulating year after year, cannot fail to give to the community a very greatly increased command of wealth, and to render more abundant the means of employing it in all other ways ; and that, on the contrary, when a number of years occur when prices are above these average rates, the increased amount of money absorbed in this way, year after year, cannot

fail to diminish the general amount of wealth, to be employed for other purposes.

It may here be remarked, that the facility with which money is removed from one country to another by investments in public securities, altogether independent of commerce, and that the periods of low prices and high prices, above referred to, having occurred simultaneously throughout Europe, has tended materially to aggravate the effects of the greater amount of capital let loose in the former, and absorbed in the latter periods. Another serious aggravation of these changes in this country has arisen from the fact that, in dear years, not only is the sum absorbed much above the average, but a large amount is sent out of the country in the shape of bullion to purchase supplies abroad; while in cheap years, not only is the sum thus absorbed much less, but the country is in such years deprived of nothing for foreign purchases. In order to show the great fluctuations in the amount of money absorbed in the article of wheat alone, we present the following table, showing the sum in each year which must have been paid for wheat at the average price of the year, calculating the consumption at 16,000,000 quarters, which, whether correct or not, displays with equal truth the proportion of these fluctuations:—also showing the amount in each year paid for foreign wheat; which will be found to be important in the dear years, when we could least afford it, and most trivial in the cheap years, when the redundancy of means could best afford it.

Years.	Quantity consumed.	Average price.	Total amount of Cost.	Quantity of Foreign Wheat taken into Consumption.	Cost of Foreign Wheat at 15s. per Qr. less than British Average.
	<i>Quarters.</i>		<i>£</i>	<i>Quarters.</i>	<i>£</i>
1817	16,000,000	94/0	75,200,000	1,020,949	4,032,748
1818	„	83/8	66,933,333	1,593,518	5,471,018
1819	„	72/3	57,800,000	122,133	349,605
1820	„	65/10	52,666,666	34,274	87,113
1821	„	54/5	43,450,000	2	5
1822	„	43/3	33,600,000
1823	„	51/9	41,400,000	12,137	22,301
1824	„	62/0	49,600,000	15,777	31,075
1825	„	66/6	53,200,000	525,231	1,352,469
1826	„	56/11	45,533,333	315,892	662,056
1827	„	56/9	45,400,000	572,733	1,195,580
1828	„	60/5	48,250,000	842,052	1,912,159
1829	„	66/3	53,000,000	1,364,220	3,495,813
1830	„	64/3	51,400,000	1,701,885	4,190,891
1831	„	66/4	53,066,666	1,491,631	3,828,519
1832	„	58/8	46,916,666	325,435	710,533
1833	„	52/11	42,316,666	82,346	156,114
1834	„	46/2	36,933,333	64,653	101,750
1835	„	39/4	31,400,000	28,483	34,654
1836	„	48/6	38,800,000	30,554	51,177
1837	„	55/10	44,666,666	244,619	499,430
1838	„	64/7	51,666,666	1,853,048	4,594,014
1839	„	70/8	56,533,333	2,700,131	7,515,864*

* It is necessary to remark, with respect to this table, that the quantity of sixteen millions of quarters, being taken as the annual consumption, in the absence of any statistical information that can be relied upon, is the nearest approximation to the truth to which we can arrive, as the average consumption of the last few years:—but there is not the slightest doubt that it exceeds the real quantity consumed in the early period embraced in the table, and perhaps falls short of the quantity consumed in the last three

The facts which are brought to view in this table demand the most minute attention and the gravest consideration. We find the entire cost of the wheat consumed in this country representing in one year, 1817, upwards of seventy-five millions of pounds sterling:—with a payment for foreign-grown wheat, in the same year, of four millions sterling, gradually falling, for five years, to thirty-three million pounds sterling in 1822, without any expenditure for foreign wheat; then again gradually advancing until, in 1829, fifty-

or four years; but still it serves the purpose of comparing the fluctuations of the amount of national means absorbed in this article, better than if we had been able to ascertain the actual quantities consumed in each year, and calculated accordingly: for although the whole quantity annually consumed has gradually increased during that time with the increase of population, yet it is assumed that the consumption of wheat, the first necessary of life, not an article of fashion, luxury, or caprice, has always borne the same relative proportion to the population and its means:—and that, therefore, the fluctuations in the total annual price of it, whether the consumption were larger or smaller, but still bearing the same proportion to the wealth of the community, would have the same influence in increasing or diminishing proportionably the general wealth of the country available for other purposes. As has been already remarked, the fluctuations in the price of wheat having been simultaneous in every part of Europe with those in England, it becomes a difficult task to compute the stupendous amount of capital let loose at one period, and absorbed at another, in this article alone. In France, where *bread* forms so large a portion of the diet, and the population is one-third greater than in this kingdom, it would appear a moderate estimate to state the capital thus fluctuating at the same amount as in this country: in other parts of Europe the fluctuations of price have been as great as in this country, but the consumption of wheat-bread is comparatively

three millions sterling is the entire cost, with a sum of nearly three millions and a half paid for foreign-grown wheat; then declining gradually until, in 1835, thirty-one millions is the whole cost, with the insignificant sum of thirty-four thousand pounds paid for wheat of foreign growth; and, lastly, gradually advancing until, in 1839, the entire cost to the community for wheat is fifty-six millions and a half sterling, with no less a sum than seven millions and a half paid to foreign growers, chiefly in bullion. These extreme points will stand thus:—(See next page.)

limited. The following table will show the uniformity, in regard to time, which has prevailed in different parts of Europe, in the changes of price:—

Years.	Average price in Great Britain.	Average price in France.	Average price in Danzig.
1817	94/0	75/8
1818	83/8	64/7
1819	72/3	34/1	43/9
1820	65/10	45/7	33/3
1821	54/5	34/3	31/7
1822	43/3	36/9	29/1
1823	51/9	35/10	26/8
1824	62/0	34/4	22/9
1825	66/6	35/6	23/3
1826	56/11	36/5	23/1
1827	56/9	49/7	22/5
1828	60/5	52/6	24/4
1829	66/3	48/2	36/10
1830	64/3	51/0	34/3
1831	66/4	50/10	37/3
1832	55/8	41/3	37/7
1833	52/11	34/1	29/4
1834	46/2	35/9	25/5
1835	39/4	33/8	23/0
1836	48/6	39/8	28/7
1837	55/10	41/0	29/0
1838	64/7	51/6	45/0
1839	70/8

	Whole cost of Wheat.	Cost of Foreign Wheat consumed.
1817 . .	£75,200,000 . .	£4,032,748
1822 . .	33,600,000 . .	nothing.
1829 . .	53,000,000 . .	3,495,813
1835 . .	31,400,000 . .	34,654
1839 . .	56,533,333 . .	7,515,864

It is impossible to look at these facts—to consider that the sum absorbed in the consumption of wheat alone, in this country only, has been more than twenty-one millions of pounds sterling greater, during the last year, than it was only four years ago; that in France the increase must be in the same proportion; that independent of this additional absorption for our own purposes, that upwards of seven millions of it has actually gone out of the country for the purchase of foreign wheat, while, in the former year, only about thirty-four thousand pounds was required on this account:—it is impossible, we say, to have these facts placed before our eyes without feeling at once the strongest conviction that they are sufficient to produce enormous fluctuations in the currency, in the wealth and prosperity of the country.

It shall now be our task to endeavour to trace the influences exerted by such striking causes, to endeavour to discover, by fair and close investigation, how far the facts which have occurred, during the last few years, agree with and corroborate the conviction which has been produced by the simple details before us; and if, in the course of this investigation, we may have occasion to allude to the policy pursued by any of the different classes of banking establishments, it shall

only be, as far as is necessary, for elucidating our principles; as we again disclaim any intention, in our present inquiry, to mingle with it the general question of currency or banking, as they exist or have existed.

We have already intimated that it is not to high prices or to low prices that we attribute the evils complained of; but to a constant and incessant changeableness; to periodical fluctuations: to a series of years of great cheapness, followed by years of very high prices. There is no more striking truth in political, mercantile, and social existence than there is in human nature a strong tendency to adaptation; to conform every arrangement and plan, as well for the present as the future, in reference to existing circumstances; to enact laws, to enter into engagements, and to contract habits consonant with the wants and the means of the present: for, however the mind may indulge in the retrospective, or delight in speculative views of the future, it is the *present* only which has sufficient substantiality and form to constitute the great cause of all our actions. If, then, that *present* has no endurance; if great and important changes are ever going forward, it follows that there is no security in the most prudent calculations for the future; that circumstances, over which persons have no control, may interfere with engagements and habits contracted with the most justifiable reasons; and thus, by constant fluctuations, *security in the future*, the greatest moral tie which Providence has pleased to link to the human constitution, is materially weakened.

From these remarks it will naturally follow, that we regard the seasons of extreme low prices as productive of as much mischief, of being accessory to as great an amount of evil, as we do the seasons of extreme high prices: the two are naturally and necessarily linked together as cause and effect; and although distress and disappointment are more apparent in the latter than the former period, yet it remains to be seen how far the former period has been accessory to the necessary cause of the great evils experienced in the latter period; and if the causes of the mischief are equally identified in the two periods, they must equally share the blame.

It may be imagined by many who have not well considered the subject, that as far as the fluctuations which we have shown to exist in the amount of money absorbed in payment of the necessaries of life are of an internal nature; that is, as far as the additional amount paid by the community in a series of years goes only from one portion of the community to another; from the general consumers to the agriculturists, that there should be little or no interruption of national prosperity—that there should be little or no derangement of the currency: this point deserves and will obtain our close attention as we go forward with the investigation in this and the following propositions. Every person, however, easily understands that inasmuch as these fluctuations have called for only £34,654 in one year, and for £7,515,864* in another

* Although the sum of £7,515,864 is put down as paid for

year, only four years apart, to be remitted to foreign countries for our consumption of bread, great and important evils must ensue.

In order to go into the investigation proposed, it is obvious that we must discover, that we must condescend to some given sum which, could it be maintained steadily, would be the correct amount of the means of the country absorbed for this particular purpose annually, namely, for the purchase of wheat; in order that we may determine what the fluctuations really have been; how much too cheaply the community have been served at one time, and how much too dearly at another time. Now we know of no principle so accurate to determine this point, and, at all events, it is sufficient for a fair and full consideration of our case, as to take the actual average price which has been obtained in a currency of years amidst all these oscillations and fluctuations. Relying as we do upon the excitement being in exact proportion to the depression, and the depression, in its turn, being in exact proportion to the excitement; to the vibration of the pendulum being to the left in the same proportion that it was to the right, and on the right that it obtained on the left, we take the average price of the whole period as a fair and just point from which

foreign wheat in 1839, yet from Oct. 10, 1838, to Oct. 10, 1839, one year, the sum of £12,126,369 was paid; this large amount, crowded into the short space of twelve months, and not as it appears diffused over two years, is an important feature in reference to the effects produced on the currency.

to date all our calculations in elucidation of the principles we advocate.

It has already, in a former work, been shown that the average price of seven years, from 1832 to 1839, was 52*s.* 2*d.* per quarter for wheat, and that price is, therefore, without hesitation, taken as a fair average on which to ground our calculations.

At this rate the average amount of the national means absorbed in wheat will be £41,600,000 sterling, and, therefore, as the actual sum paid in each year differs from this, either in excess or diminution, must we regard it as a fluctuation of the general wealth or means of the community, whether the difference may be felt in the increased or diminished amount of deposits in bankers' hands, the increased or diminished demand for manufactured goods or other luxuries, or in any other way.

By way of illustrating these principles, we would claim especial attention to the occurrences since the year 1831, in relation to the points under consideration.

On referring to the table, page 13, it will be seen that 1828, 1829, 1830, and 1831, were years of very high prices of wheat, in which large importations took place, at an enormous cost to the country: during these four years, it must be obvious that the means of the country must have been absorbed to a great extent as compared with previous years; and there is no diffi-

culty in reconciling, with such state of matters, the great scarcity of money which was felt during these years, the contraction of circulation especially felt in 1829, and the languishing condition of the general pursuits of industry and commerce at this period.

It may be imagined that as far as the excess of national income paid in these years went chiefly to enrich the agriculturist, no derangement of the currency, of the means of conducting the great commercial operations of the country, should have been experienced, as the amount only passed from one part of the community to another, from one kind of industry to another; this notion, however, is false; and we will show that this excess, as well as the three to four millions sterling annually transmitted to the continent during these years, could not fail to impair the general active capital of the country. At the commencement of this period there was a given distribution of the entire capital of the country; so much in mercantile operations—so much in manufacturing establishments—so much in government securities—so much in agricultural property and industry, &c., &c.; and, for the sake of illustration, let us suppose that the capital thus sunk in these various ways bore the exactly proper proportion to each other to supply the wants of the community—that all at once an unusual proportion of the income of the country begins to flow into the agricultural interests, in consequence of very high prices. What follows?—some one or all of the other public interests must suffer an abstraction of their previous share of the annual expenditure in

the like proportion ; the demand for their products must become more limited, and their ability of production too great for the wants of the country ; and as far as this ability is in excess does it show a portion of the general capital unprofitably and idly invested—in fact, so much abstraction from the national wealth while it remains unemployed. Well, but how is the currency affected?—if there is, in reality, nearly the same amount of annual income—if all the excess of expenditure which flowed into the agricultural interest remained in circulation, the currency would not be much curtailed, although it would experience a different distribution. But what is the fact?—high prices and high profits in every pursuit stimulate extended production, and we consequently find that the excess of the nation's income, which in the three years went into the agricultural interest, was invested in improved and extended cultivation ; and thus went to increase the entire amount of the whole capital stock embarked in this industry, while it diminished, as has already been explained, the value of the capital stock previously invested in other interests ; inasmuch as it absorbed, for the creation of its new capital stock, the portion of the national income which alone gave the previous existing value to all the other invested capitals.

During the four years at present under review, it is evident, from these principles, that the amount of capital employed both in extending and improving the cultivation of the land must have been materially increased, and that in nearly the same proportion must

have been the tendency of the currency to diminish, but for the following reason. The increased absorption of national income in agricultural produce had two obvious tendencies; first, to reduce the demand for the produce of all other capital and industry, and consequently the profits; and, secondly, to diminish the amount of the circulation, or money, by increasing the amount of its fixed capital stock, and thus to cause a rise in the rate of interest at the moment of the greatest depression of commerce. A higher rate of interest, and a greater reduction of profits would then, no doubt, have a tendency, in the course of time, to cause an abstraction of capital from such pursuits, where an abstraction was practicable, to fill up the blank created in the currency. But such abstraction is only practicable to a certain extent, while in many of the chief objects of investment it is quite impracticable; for example, in the capital represented by manufactories, machines, mines, ships, &c., &c., which must all at such periods assume a deteriorated value. The floating capital, or currency, of the whole country must, under such circumstances, have very materially diminished; or, in other words, at this period our means must have become very much contracted for commercial enterprise, and the value of property must have assumed a very reduced rate. Let any one ask himself what was the fact, and how far our theory agrees with it?

But four years is a period sufficiently long for a community in a considerable degree to adapt itself to

existing circumstances, however they might have changed for the worse; and, having suffered a great diminution of its capital, to turn to the best account what still remained. But let us now narrowly watch what occurred, and how these occurrences (the natural offspring of cause and effect, and therefore not peculiar to this period, but alike applicable to every recurrence of similar causes) acted on the currency. At this time, when it might have been expected that much of the evil of such a change of national wealth had passed away, by the aptness of adaptation to circumstances, it proved that we were on the eve of an era, of greater and more sudden expansion of available floating capital than we had for the four previous years suffered its contraction.

The immense increase of fixed capital which had become absorbed by the agricultural interest had stimulated production so much, that in 1832 the amount of national income absorbed in the price of wheat was reduced upwards of six millions sterling, as compared with 1831; and instead of nearly four millions being sent abroad for this article in the latter year, only seven hundred thousand pounds were required in the former.

Such an amount of the national income (accompanied by such a diminution of the export of our means for this purpose) becoming available for all other purposes, could not fail to give a fuller currency, part of which would remain available as currency, and part would be absorbed in the products

of other industrial pursuits, which, in their turn, would give a stimulus to industry and credit, and ultimately to a further extension of the currency.

It appears here necessary to show why the reaction in the price of wheat, and a lesser amount of income thereby absorbed and thrown into other industry, acts differently on the currency than when a larger portion of income is taken from other pursuits and thrown into the price of wheat.

Wheat is the *first* necessary of life, and, whatever may be its price, differs less than any other article in the quantity consumed. The variations in price, therefore, may be considered only owing to the variations in quantity produced, and not in any material variation in consumption. We always consider that wheat has the first and imperative claim on our income, to which all other productions must yield; it is, therefore, a scarcity of wheat which *drags* capital from all other uses, and an abundance which again gives it back: therefore, when capital is flowing into the agricultural interest in a greater than average proportion, it is owing to great scarcity, and an absorption immediately takes place to stimulate a larger production, and the currency is thereby contracted; whereas, when capital is again flowing back by a reaction in the price of wheat, it is caused by a redundant supply of that article, and not by a too limited supply of the results of other industrious pursuits: they only ultimately become stimulated by the expanded currency which is thus effected, and a consequent greater ability to con-

sume their products on the part of the community ; but the first influence is to enlarge the currency or available capital of the country.

We may consider 1832 as the beginning of a new era—as the change in the tide when the excess of capital which had, under an artificial stimulus of high prices and a legal promise of their continuance, began to flow back into all the channels from which it had been absorbed. It is not here our place to inquire how much was actually wasted in the operation ; we will confine our attention to its necessary influence on the currency, or floating available capital of the country. As we have already remarked, upwards of six millions sterling was required less of the national expenditure this year than the previous to pay for the consumption of bread alone ; and more than three millions sterling, which had been the year before sent abroad for wheat, was retained at home ; so great a difference could not fail sensibly to affect the amount of surplus money at the end of that year, and to render that commodity more abundant.

The same causes still acting, the following year, 1833, another reduction took place of more than four millions and a half sterling in the total cost of bread, with another reduction of more than half a million sterling in the sum remitted for foreign supplies : towards the close of this year we consequently find that the currency became very full—money very abundant ; for as yet commerce had not shown sufficient symptoms of recovery to induce an extension of operations equal

to the disengaged capital. In the following year, 1834, we find another reduction of nearly five millions and a half sterling; and again, in 1835, another reduction of upwards of five millions and a half sterling took place in the cost price of this one first necessary of life. Thus we find that in the short space of four years the portion of the national expenditure absorbed in this way was reduced from fifty-three million pounds sterling, with an import at the cost of three millions eight hundred thousand pounds sterling, in 1831, to thirty-one millions four hundred thousand pounds sterling, with an import at the cost of only thirty-four thousand pounds, in 1835; making a difference of upwards of twenty-one millions of pounds sterling in the cost of wheat in these two years. But the following table will show still more the accumulated effects of the two different periods of years, viz., the four years from 1828 to 1831 both inclusive, and the four succeeding years:—

Years.	Total Cost of Wheat.	Total Cost of Foreign Wheat.	Years	Total Cost of Wheat.	Total Cost of Foreign Wheat.
	£	£		£	£
1828	48,250,000	1,912,154	1832	46,916,666	710,533
1829	53,000,000	3,495,813	1833	42,316,666	156,114
1830	51,400,000	4,190,891	1834	36,933,333	101,750
1831	53,066,666	3,828,519	1835	31,400,000	34,654
Total, 4 years	205,716,666	13,427,377		157,566,655	1,003,326
			difference	48,150,001	12,424,326
				205,716,666	13,427,652

This table shows that during the first four years the huge sum of forty-eight millions sterling was paid for

wheat more than in the same period next succeeding ; and in the former period twelve millions sterling was paid for the foreign wheat which was taken into consumption more than in the latter years. It will be seen, by a further examination as we go along, that the sum paid in the latter period was as much too little as that in the former period was too much ; judging by what should be the annual sum spent according to the average of a number of years, by which the different interests have been sustained amidst all these changes. Can it, then, be a matter of surprise that extraordinary changes and fluctuations were visible in the currency with such facts before us—that the increasing abundance of money which every year was experienced from 1832 to 1835 should have given rise to all manners of speculations, many of which tended only still more to increase the already surcharged currency, especially the establishment of joint-stock banks, one of the favourite schemes of the times, all eager in the pursuit of business ? But it is evident that this state of the currency had in itself the principles of its own cure. The abundance of money reduced its value so much, with a growing eagerness to invest, that not only were all the usual channels of absorption and occupation greatly expanded—not only were new and extensive internal improvements undertaken, especially in railways—but speculators in foreign countries, particularly in America, attracted by the facility of obtaining loans in this country at a low rate of interest, were induced to embark in the wildest undertakings. In short, at home and abroad, the plethora of money in this country, at the period we now speak of, pro-

duced a spirit of speculation, in every possible way so formidable in its extent and ramifications, that by the middle of 1836 there were symptoms of a reaction, by an unfavourable turn in the foreign exchanges, a decrease of bullion, and a growing scarcity of money, which ended in the *panic* of the autumn and winter of that year. The derangement which then occurred in the currency can be regarded in no other light than the mere reaction of the unnatural abundance of money and credit which had existed for the two or three previous years, and the necessary consequences arising therefrom. We term it an unnatural abundance, because it was created by a price of wheat, which could not possibly be sustained as it was below the cost of production. The influences of this panic were chiefly felt, as was to be expected, by the highest moneterial interests; the channels through which foreign loans had been negotiated; by those who bore the enormous responsibilities arising out of the overheated and excited engagements called into existence between this country and America; by the great abundance and cheapness of money here, and by the spirit of speculation which was fostered in that country by the facilities afforded in raising money on their securities in this market.

At this period it was evident that a great part of the rapidly accumulating surplus capital of the few previous years had been absorbed by the extension of private enterprise, by the huge number of public undertakings at home, and by investments in foreign securities; and that thus the actual available currency

of the country had become much contracted. We find, however, that a few months' caution and quietude gradually restored confidence ; the price of wheat and other provisions was still comparatively low in 1836 and 1837 ; and by the end of the latter year, a sufficient abundance of money, for all useful purposes, was found to be in circulation ; we were then, as nearly as possible, the proper medium condition of relative prices and expenditure, which the experience of a number of years has shown to be the correct average price at which the different interests of this great community could be sustained in these different postures and advantages which on an average of years they have enjoyed.

We consequently find that from the autumn of 1837 to that of 1838 every circumstance indicated a stationary, but healthy condition of the currency, whether we regard the character of the business of that year—the absence of all speculation—of any depression or complaints from the numerous interests of the community—of the uniformity of the amount of bullion held by the Bank of England ; all concur in giving the strongest evidence that the currency was more equally proportioned to all the wants of the community than had been experienced for many years.

But just at this moment we discover that the apparent calm and healthy equanimity which was then enjoyed was only leading to another great, but natural and imperative reaction. We have seen that from 1833 up to 1837 capital to an enormous amount

had annually been flowing from the agricultural interests; and, while it left that interest, year after year, more and more weakened and impoverished, had, by its unnatural abundance in other channels, produced much evil. The advance of the price of wheat in 1837, although only to what may be deemed the correct average, showed that the low prices of previous years had produced an effect on the productive powers of the land; and the harvest of 1838 being not only backward, but deficient, found us with an exhausted stock of the first great necessary of life.

This is a moment which demands the most attentive consideration. In the whole range of society there was not one evidence of a disturbing cause to the currency; a year more void of speculation never expired; a year of more healthy and legitimate business was never enjoyed, when all the industrial classes, of whatever denomination, had a full and satisfactory share of prosperity; or when the monetarial engines of commerce maintained so much equality and uniformity of action: a year in which nothing disturbed our prospects of peace abroad; in which the uniform and prosperous condition of the working classes gave the greatest guarantee for contentment and quiet at home.

But, notwithstanding all these securities, we find that we are once more on the eve of a great convulsion of the currency. As the harvest of 1838 approached, its lateness and supposed deficiency began to excite some alarms; the diminished stock of wheat caused

prices to advance rapidly ; and the exhausting influence of the prices of 1834, 1835, and 1836, on the productive ability of the soil was now seen as the inevitable consequence of prices having been pressed below the cost of production. In the end of 1837 and the early part of 1838 the average price of wheat was maintained about 52*s.* (the actual average price of a number of years) ; towards the autumn of 1838 it rose until it reached in August 75*s.*, and, with some fluctuations, ranged nearly that rate until the middle of last year.

It therefore follows that, calculating the national consumption at sixteen millions of quarters annually, or upwards of three hundred thousand quarters weekly, that, in the autumn of 1838, we commenced an absorption of the national income of more than 300,000*l.* weekly, in addition to the fair average price of wheat ; and, as compared with the expenditure of 1835, the additional weekly sum now required to pay for wheat, was upwards of 450,000*l.*, or nearly half a million sterling.

This cause, sufficient as it may appear to account for any amount of derangement in the currency—the abstraction of 300,000*l.* weekly from the channels in which, by all the existing arrangements of society and commerce, it was at this moment finding useful and convenient employment—was accompanied by the usual attendants on high prices, a large foreign importation.

For some years a most trivial portion of the re-

sources of the country had been abstracted for the purpose of importing wheat, and therefore, by the universal law of adaptation to circumstances, no arrangement whatever existed by which any money could be spared, or our labour exchanged, for the growth of other countries: but bread is an article of overruling necessity, to the possession of which every other consideration, whether mercantile or political, must give way.

In the three last months of 1838, in addition to the enormous advance of the price of provisions; in addition to the abstraction of upwards of 300,000*l.* weekly from the accustomed channels of convenient occupation; our currency had to suffer an abstraction of more than five millions sterling, for the payment of 1,812,294 quarters of foreign wheat, introduced into consumption from the 10th of October till the 5th of January inclusive. Nor did it stop here: even this enormous sum made no visible impression in filling up the deficiency, we shall not say of one bad harvest, but of a number of successive insufficient harvests, as shown by the almost exhausted stock before the harvest of 1838. At the commencement of last year, prices still went on increasing until they reached an average of 80*s.* per quarter; the weekly absorption of capital became greater and greater; the importation of foreign supplies continued, until the whole quantity of foreign wheat introduced into consumption, from the 10th of October, 1838, to the 10th of October, 1839, inclusive, amounted to 4,355,778 quarters, at a cost of more than twelve millions sterling.

Now admitting, as we always do in these views, that about 52s. per quarter is the fair average price at which all interests in this country have been sustained, and that the average of this period was about 20s. higher, it follows that not only have sixteen millions sterling of the national income, during this year, been paid and consumed in bread, more than the average, and thus abstracted from other employment, but that *three-fourths* of this excess of price has actually been paid for wheat, the produce of other countries, and abstracted, for reasons we have already considered, from the available currency of the country. We only compare this with what should be an average; but, in order to show again the great extent of fluctuations in our available current means, to which these charges subject us, let us put the three last years in comparison with the three preceding years :—

Years.	Total cost of Wheat.	Total cost of Foreign Wheat.	Years.	Total cost of Wheat.	Total cost of Foreign Wheat.
	£.	£.		£.	£.
1834	36,933,333	101,750	1837	44,666,666	499,430
1835	31,400,000	34,654	1838	51,666,666	4,594,014
1836	38,800,000	51,177	1839	56,533,333	7,515,864
	107,133,333	187,581		152,866,665	12,609,308
	More paid in this period			45,733,332	12,421,721
				107,133,333	187,681

This table shows that, during the last three years, we have nationally spent in wheat 45,733,332l. more than in the three preceding years, and paid the sum of

12,421,727*l.* more in the latter than the former period for foreign wheat.

In order to place the operation of these principles, during the last two years, more clearly before the reader, we submit to his attention the following Table, showing the quantity of wheat which entered into consumption in each month in 1838 and 1839; the general average price at which the same was cleared; the cost in sterling money of each such monthly clearance, calculated at 15*s.* per quarter less than the general average of the time; and the amount of bullion and deposits, as shown by the Bank returns in each month during that period. (*See next page.*)

	Wheat and Wheat-flour cleared for consumption.	General average price.	Cost of Foreign Wheat taken into consumption.— At 15s. less than the average.		Bullion held by the Bank of England.	Deposits in the Bank of England.
1838.	<i>Quarters.</i>		£.	1838.	£.	£.
Jan. 5	1,619	53/0	3,076	Jan. 11	8,895,000	10,992,000
Feb. 5	1,569	53/3	3,000	Feb. 8	9,543,000	11,266,000
Mar. 5	759	54/11	1,514	Mar. 8	10,015,000	11,535,000
April 5	1,081	56/4	2,234	April 5	10,126,000	11,262,000
May 5	1,914	58/3	4,139	May 4	10,002,000	11,006,000
June 5	2,939	61/3	6,796	June 1	9,806,000	10,786,000
July 5	851	64/7	2,109	„ 29	9,722,000	10,426,000
Aug. 5	9,584	67/8	25,237	July 26	9,749,000	10,424,000
Sept. 5	14,891	68/0	39,461	Aug. 24	9,746,000	10,298,000
Oct. 5	*1,514,046	72/11	4,384,424	Sept. 21	9,615,000	10,042,000
Nov. 5	12,537	65/10	31,864	Oct. 19	9,437,000	9,327,000
Dec. 5	7,295	71/6	20,603	Dec. 13	9,362,600	9,033,000
1839						
Jan. 5	278,416	76/1	850,328	Jan. 10	9,336,000	10,315,000
Feb. 5	168,130	79/7	542,924	Feb. 7	8,919,000	10,269,000
Mar. 5	234,183	74/5	695,718	Mar. 7	8,106,000	9,950,000
April 5	517,848	72/1	1,478,024	April 5	7,073,000	8,998,000
May 5	188,191	70/1	518,309	May 2	6,023,000	8,107,000
June 5	153,777	71/1	431,216	„ 30	5,119,000	7,814,000
July 5	504,536	71/4	1,421,109	July 1	4,344,000	7,567,000
Aug. 5	23,821	70/0	65,507	„ 25	3,758,000	7,955,000
Sept. 5	4,242	71/6	12,483	Aug. 22	3,265,000	8,029,000
Oct. 5	811,679	71/9	2,303,139	Sept. 19	2,816,000	7,781,000
Nov. 5	123,160	67/2	321,242	Oct. 18	2,522,000	6,734,000
Dec. 5	17,468	67/5	45,780	Dec. 12	2,887,000	5,952,000
				Total	8,685,7794.	

This table deserves close examination, and affords a most instructive illustration of the action of the theory and principles of which we are treating.

* Of this 630,000 quarters had been imported, and paid for in former years, before 1838, leaving 884,046 quarters of this quantity of the import of that year.

It will be seen that during the first half of 1838 the prices of wheat were moderate and tolerably steady (although gradually advancing), and that a most trivial quantity was cleared for consumption. From this time until September prices advanced so rapidly that, early in that month, the averages had risen so that wheat was admitted at the lowest duty, at which time more than one million and a half of quarters were cleared for consumption. During the whole of this year (1838), the bullion and deposits, and especially the former, display a very uniform condition; and the large clearance of foreign wheat, which took place during September, appears to have had little influence on them.

This fact may be satisfactorily explained in the following manner:—Of the quantity cleared up to this period, 630,000 quarters had been imported, and the payment therefore provided for in former years; a further quantity of 869,245 quarters had been imported during the six weeks preceding this large clearance; of this a considerable portion was held in continental ports on English account of former purchases, and therefore not to be then provided for; and a further large portion of this quantity was imported from near ports during the month of September, when the low duty became a matter of certainty (the quantity imported in this month amounted to 533,771 quarters); and as the practice is for the shipper to draw upon the importer at three months, the payment for such new purchases would not become due until the close of the year, or the beginning of the year

1839; accordingly towards the close of the year we remark a gradual though not extensive diminution of bullion.

During the two months succeeding the 10th of October, the clearances and imports were alike trifling, and it is not until the month ending January 5th, 1839, that we find an important quantity imported or cleared, and from this time forward, until the 5th of November, the quantities imported and cleared for consumption continued unprecedentedly large. The greatest part of old purchases, held on British account, as well in this country as abroad, having been now exhausted, the transactions of the following periods show their full natural action on the currency and the floating capital of the country.

We accordingly find, that month after month displays a rapid diminution both in the bullion and deposits of the Bank during the whole of this period; the former falling from 9,336,000*l.*, on the 10th of January, to 2,522,000*l.* on the 18th of October; and the latter falling from 10,315,000, on 10th of January, to 5,952,000*l.* on the 12th of December.

Adding together our estimated amounts of the cost of the wheat cleared from the 5th of December, 1838, during the following year, it amounts to 8,685,779*l.* In this period we find a most uniform corresponding reduction taking place in the amount of bullion, until we find, from January till October 5th, 6,814,000*l.* abstracted from the country. To this sum

should be added the credit of 2,500,000*l.*, which the Bank obtained on Paris, the drafts for which may be said to represent so much bullion exported. In this way we see clearly how our imports of wheat have been provided for, and how our bullion has been disposed of.

We would crave attention to the reduction in the amount of the deposits on two grounds:—

First.—For the same reason that so large an importation of wheat finds no corresponding commodity of exchange except bullion, as having a common value everywhere, *viz.*, its being *uncertain* and *accidental*; we believe that its amount must always be abstracted, in great measure, from that portion of the capital of the country constituting the currency, or convenient medium of exchange; or from that portion which constitutes the stock of what is termed the money-market. This is chiefly represented by the *deposits* with bankers throughout the kingdom; the whole amount of which, it has been shown, is in some measure indicated by the deposits in the Bank of England. These transactions being *accidental*, a small portion of the usual fixed commercial capital is directed into this channel, or kept available for its uses; and, therefore, when the demand does arise, it can only be abstracted from the sources referred to; were the demand equal and certain, the same amount of transactions thrown over a large space of time with any degree of uniformity, not only would a regular medium of exchange in other commodities be the necessary consequence, but also would a suitable share of the

capital of the country find its way into that trade, like any other, for its convenient conducting; and thus not only would the derangement in the currency be prevented, as caused by an abstraction of bullion, but also the derangement of the money-market, inseparably associated with the currency, would be prevented, as at present caused by such large amounts being accidentally abstracted from its stock, which usually finds employment in contributing to the general convenient conducting of the commerce of the country, by discounting bills of exchange and otherwise.

Secondly.—As we have throughout these views shown how an unusually high price of provisions must tend to a contraction of the currency, and the floating capital of the country, by directing an unusual portion into particular channels for investment, and stagnating the capital employed in other interests, from which this abstraction of their usual portion takes place, it must be plain that this deficiency must become evident, by a diminishing amount of the deposits with bankers.

Before taking leave of the period embraced in this inquiry, we will draw the reader's attention to the following Table, exhibiting the same principles of connexion between the prices and operations in wheat and the amount of bullion and deposits held by the Bank, during the whole period of inquiry:—

	Period.		Deposits.	Bullion.	Average Prices of Wheat.	Amount paid for Foreign Wheat.	
			£	£			£
3 months ending }	Feb. 2,	1828	9,198,140	10,347,290	56/9	1827	1,195,580
	"	1829	9,553,960	6,835,020	60/5	1828	1,912,159
	"	1830	10,763,150	9,171,000	66/3	1829	3,495,813
	"	1831	11,213,530	8,217,050	64/3	1830	4,190,891
	"	1832	8,937,170	5,293,150	66/4	1831	3,828,519
	April 3,	"	8,969,000	5,354,000	58/8	1832	710,533
	July 3,	"	9,020,000	5,780,000			
	Oct. 2,	"	10,861,000	7,401,000			
	Jan. 1,	1833	11,737,000	8,983,000	52/11	1833	156,114
	April 2,	"	12,777,000	10,068,000			
	July 2,	"	12,045,000	10,673,000			
	Oct. 1,	"	13,057,000	10,905,000			
	Jan. 1,	1834	13,101,000	9,948,000	46/2	1834	101,750
	April 1,	"	14,011,000	9,431,000			
	June 3,	"	14,539,000	8,645,000			
	Aug. 26,	"	15,384,000	8,272,000			
	Nov. 18,	"	12,669,000	6,781,000	39/4	1835	34,654
	Feb. 10,	1835	12,535,000	6,693,000			
	May 5,	"	10,726,000	6,197,000			
	July 28,	"	11,561,000	6,203,000			
	Oct. 20,	"	14,227,000	6,186,000	48/6	1836	51,177
	Jan. 12,	1836	19,169,000	7,060,000			
	April 5,	"	14,751,000	7,801,000			
	June 28,	"	13,810,000	7,362,000			
	Sept. 20,	"	14,118,000	5,719,000	55/10	1837	449,430
	Dec. 13,	"	13,330,000	4,545,000			
	March 7,	1837	13,260,000	4,048,000			
	May 30,	"	10,422,000	4,423,000			
	Aug. 22,	"	11,005,000	5,754,000	64/7	1838	4,594,014
	Nov. 14,	"	10,242,000	7,432,000			
	Jan. 11,	1838	10,992,000	8,895,000			
	April 5,	"	11,262,000	10,126,000			
June 29,	"	10,426,000	9,722,000	70/8	1839	7,515,864	
Sept. 21,	"	10,040,000	9,615,000				
Jan. 10,	1839	10,315,000	9,336,000				
April 5,	"	8,998,000	7,073,000				
July 1,	"	7,567,000	4,344,000	70/8	1839	7,515,864	
Sept. 19,	"	7,781,000	2,816,000				
Dec. 12,	"	5,952,000	2,887,000				

It will be observed that, from 1828 to 1832, the bullion diminished, under a large import of wheat, from 10,347,000*l.* to 5,293,000*l.* Here prices became lower, imports decreased, and became quite trivial; the stock of bullion gradually rose again to 10,905,000*l.* in the end of 1833. With some fluctuations of lesser importance, it continued at a convenient amount until the results of the extensive speculations of 1836 reduced it, in March, 1837, to 4,048,000*l.*, from which it rapidly recovered, in April, 1838, to 10,126,000*l.* It remained very stationary during that year; but in 1839, under the heavy import of wheat, was reduced in December, to 2,887,000*l.*, and, but for the credit on Paris, before alluded to, would have been reduced even much lower.

Similar corresponding fluctuations are observable in the deposits; the two lowest points being, in 1832, 8,937,170*l.*, after a continuance of high prices and large imports, from 1828 to 1831 inclusive; and in December, 1839, only 5,952,000*l.*, after the high prices and huge imports of that year; and the largest amount being, in a remarkable extent, in the four cheap years without imports, 1833, 1834, 1835, and 1836.

From the whole tendency of these facts and arguments, it will be plain to the reader that it is, as we said before, not to high or low prices, but to the continued fluctuation that we ascribe chiefly these most dangerous and extensive influences on the currency; nor can it be a matter of any surprise, when we view

the enormous amounts to which these fluctuations have extended, that the occurrence of monetarial difficulties should have been as frequent and severe as they have been; the only surprise is, that they have not been felt to a much more serious extent; which only gives some evidence of the extensive resources, wealth, and enterprise enjoyed by this country.

Having now, we are afraid rather tediously, glanced at the history of the fluctuations which have taken place during the last eleven years, let us direct our attention to the general result, not only of this period, but of the whole time exhibited in the table, from 1817.

We find, from beginning to end, periods of scarcity, high prices, and large importations, succeeded by periods of plenty, low prices, with little or no importation; and thus, period after period succeeding each other in the most uniform cycles which we could well imagine. Confining our attention exclusively in the present places to the influences these rapid changes have exercised on the currency, as shown by the tables and facts already given, we naturally come to the following conclusions, as the irresistible consequence of such fluctuations; consequences which ever have, and ever must continue to be, experienced as long as we are all subject to such changes.

In the periods of *scarcity*, high prices, and large importations, an extensive contraction of the currency must take place, not only by the exportation of the

precious metal to purchase an accidental supply of wheat, but also by abstracting much of the capital of the country otherwise usefully employed in agricultural pursuits, where it is absorbed in improved and extended cultivation; and so far as these improvements or extensions are carried consistently with the wants of the community, no absorption of capital could be more useful; but stimulated by a pretended legislative protection of prices which have never been realised, experience teaches us that these operations have always been carried to such an extent as to produce a period of prices as much below a remunerating rate as they had before been above it. The effect of which is, that the capital which is thus absorbed, during dear years, becomes wasted and worthless in a short time, by calling into existence so much more productive power than can be profitably consumed, pressing prices far below the cost of production; and, instead of being beneficial to the agricultural interest, only leaves them in ultimate losses and disappointments. It was thus that from 1817 to 1820 the severe contraction of capital was experienced; it was thus that from 1827 to 1831 a similar difficulty occurred, and it is thus that at this moment the national income and capital is so much absorbed in an extravagant price of provisions and the payment of foreign supplies, that the currency has become so much exhausted and curtailed as to be quite insufficient for the usual wants of other branches of trade and industry.

Then following such periods we find uniformly periods of extreme low prices, which have, in some

respects, even a more violent influence on the currency than the periods of high prices. So small a portion of the national means being consumed in these years in the purchase of food causes, year after year, so great an accumulation of wealth, such an expansion of the currency, such a depreciation in the value of money, and so much difficulty of finding profitable employment for it, that a spirit of daring enterprise and speculation is engendered, which has at different periods not only disburthened the country of all superfluous means, but threatened it with dangers and evils of the greatest magnitude. Thus we find that the extreme low prices, with an absence of foreign purchases in 1821, 1822, 1823 and 1824, produced the effects above described, and brought on the speculative fever in the spring of 1825, which ended in the panic of the winter of that year; and thus again we find that the accumulated means from the low prices of 1832, 1833, 1834, and 1835, brought about another period of great excitement and speculation, and which produced the panic of 1836.

It has often been a subject of remark by practical men, without referring to the real causes, that there appeared periodically to exist a plethora in the currency or available capital of the country, which brought about these periods of excitement and wild speculation, opening up channels through which the redundancy flowed, not only to the cure of the disorder, but much to the danger of the patient. Such were the years 1825 and 1836.

In the former year, to say nothing of the millions that were absorbed and buried for ever, with as much utility as if they had been committed to the deep, in the innumerable mining speculations abroad and at home, and many other objects, which seldom knew a longer existence than was requisite for the mere expenditure of the capital; to say nothing of these, we will give a list of only *nine* of the foreign loans made out of the redundant capital of this period, in the end of 1824 and beginning of 1825, which, at their present value, show an actual loss to the country of upwards of *ten millions* sterling.

Nine Loans made in 1824 and 1825.	Nominal Amount of Loan.	Contracting Price.	Actual Amount at the Contracting Price.	Present Value.
	£		£	£
Colombian, 6 per cent. loan	4,750,000	88½	4,203,750	1,050,937
Buenos Ayres	1,000,000	85	850,000	255,000
Peru	750,000	77	577,500	101,062
Ditto	616,000	78	489,480	85,659
Mexican, 5 per cent.	3,200,000	58	1,856,000	417,600
Ditto, 6 per cent.	3,200,000	85	2,872,000	861,600
Guatamala, 5 per cent.	2,000,000	73	1,042,988	—
Greece, 5 per cent.	800,000	59	472,000	—
Ditto, ditto	2,000,000	56½	1,130,000	—
Total paid up, and total present value.			13,493,718	2,771,858
Total loss to the country.				10,721,860
			13,493,718	13,493,718

The extensive and injurious speculations in American securities, and other objects equally destructive,

which occurred previous to the panic of 1836, are too recent and well known to require any further notice than merely to mark them as the result of the unnatural redundancy of capital at that period, as the means by which the apparent plethora of capital was reduced.

But independent of the wild speculations which these years induce, and the absolute destruction of capital which results therefrom, there is another mode by which the available currency is, perhaps, even more extensively influenced.

The greatly increased means of the whole community during these years to consume articles of luxury, the produce of arts and manufactures, giving an increased stimulus to these branches of industry, causes a great absorption of capital to take place in the extension of their productive powers, equal to the excited demand of the moment, but which only can be said to be profitably invested capital as long as the demand is equal to the produce, which only is the case until the existing excitement wears off by the arrival of a period of high prices of provisions, when we find that a large amount of capital has been sunk to supply a mere momentary demand, and is no longer of any value to the community.

Again, at these periods of a redundant capital, internal improvements and speculations in railways and other objects have been undertaken, under this unnatural excitement, to a much greater extent than the

real actual wealth of the country would warrant ; and, before they have been completed, have drained more of the floating capital into their channels than a due regard to existing industries and the proper condition of the currency render desirable. For, however beneficial such improvements ultimately proved, it must be clear that they should never be attempted to such an extent as to endanger the abstraction of capital from the permanent and existing channels of the industry of the country.

Finally, then, it would appear, from the whole of these considerations, that the necessary tendency of the fluctuations which we have shown to exist in the annual portion of the national income absorbed in the supply of the first necessaries of life, is to produce continued and violent fluctuations in the condition of the currency, or floating capital of the country ; and we think, when we have compared the theory with the facts, and seen the correspondence in point of time when the great and marked convulsions have taken place, the conviction of the close connexion which we have endeavoured to prove must be irresistible.

Both reasoning and evidence clearly demonstrate that with these large fluctuations there is, and must be, a continued action on the currency, rendering it, at one time, inconveniently full, and productive of the wildest and most destructive speculations, and, at another, so contracted that the whole community, from the Chancellor of the Exchequer down to the poorest artisan, are subjected to the most grievous pressure .

and distress. It is plain that the Bank of England, and the bankers generally throughout the country, as being the dealers in money or currency, must be the first to feel the changes which we have described ; but it is equally plain that they can have little to do with creating them, and almost as little in controlling them. They can do much by wise and prudent conduct, by a timely contraction of their own liabilities, to render their own position more secure against the effects of a coming storm, and ultimately to steer safely through it ; but beyond this they have little or no power.

They are pressed by necessities, arising out of the causes we have described, into a course of policy which the world are too apt to think the influencing cause of the evils which afterwards become developed ; and hence the public very generally attribute, as we before stated, all these derangements and convulsions in the currency to the imperfect construction of our banking system, and especially of the Bank of England. As in the beginning of these remarks we disclaimed any intention of entering into consideration of the principles of banking or management of the currency generally, we shall not here inquire whether this institution is the best that could be devised for the professed objects ; whether its powers are too limited or too full—whether its functions are incongruous or not ; for we are convinced that, however imperfect it may be, or however perfect it may be made, the country will ever remain subject to violent changes and fluctuations in its currency, as long as the real causes which produce the rapid changes and fluctuations in

the price of the first great necessities of life shall continue to exist.*

We have already, in a former work, traced these fluctuations as the imperative offspring of the existence of laws attempting to control and regulate the supply and price of these first necessities; of laws which have separated, by most unnatural violence, the great leading interests of the country; which have called into existence feelings of animosity and jealousy among parties who had, in reality, only one common and indissoluble stake; and which have created a continued and never-ending strife, in which each party in his turn is the great loser, and by which neither party is ever permanently advantaged. Until these laws are erased from the statute book—not altered, not amended, for alterations and amendments will only produce new difficulties, new incongruities, new false positions, in which we shall have everything to learn over again—but swept for ever away; until we find all the great leading interests of the community going on in one uniform and fair compact, whereby energy, industry, and capital shall have a free, full, and unfettered exercise of their functions; when men will no longer deceive themselves into a reliance on legislative enactments for partial ends;

* While we thus avoid the subject of banking or the management of the currency as irrelevant to the considerations immediately under review, we are not insensible of the immense benefits which will accrue to the community by the adoption of correct and wise principles in relation thereto.

and when we shall no longer “refuse to ourselves the benefit of that provision which Providence itself has made for equalising to man the variations of climate and of seasons—until then, we shall in vain look for any uniformity in the condition and prosperity of the country, for any theory or plan of conducting the monetarial arrangements of this great and enterprising community with any degree of certainty and success.

PART II.

FLUCTUATIONS OF COMMERCE, MANUFACTURES, &c.

THE rapid and violent fluctuations in the manufacturing and commercial prosperity of this country, which have occurred in late years, have equally excited the astonishment of the thinking economist, and puzzled his ingenuity satisfactorily to account for them.

During a time of extensive and protracted warfare, when strong and unnatural barriers are raised to interrupt the usual course of production and consumption; when the productive ability of entire countries is paralysed and destroyed by being the seat of lengthened campaigns; when more of labour's creation is often destroyed by rapine, plunder, and devastation in one day, to appease the wrath or gratify the passions of the triumphant conqueror, than would suffice to minister to the wants and reproductive energies of a whole kingdom for a long period; it is an easy matter to understand that great and sudden changes should be experienced by the trading interests of the whole mercantile world. But that such fluctuations should still continue to be experienced after nearly the whole civilised world may be said to have reposed in peace for a quarter of a century, during which period intelligence has made more progress, productive energy

acquired more strength, and consumptive ability, extending hand in hand with civilisation, has obtained a wider and richer field than ever could have been hoped for by the most sanguine lover and well wisher of his race, is indeed a matter, at first sight, of great difficulty to reconcile.

And this difficulty is certainly much increased when we consider what constitute the true fundamental grounds of industrial and mercantile prosperity, and its uniformity:—*a productive ability, on the one hand, to administer to the necessities, tastes, and pleasures of the community; a consumptive ability, on the other hand, to absorb the creation of production.*

Now, it requires no argument to show that the extent to which productive ability will be stimulated and called into existence, will depend much on the extent and power of the consumptive ability. But let us shortly inquire what constitutes this consumptive ability:—in a few words, it is production alone, it is labour alone—whether it be that of the present moment, or the accumulated recompense of past toil:—in other words, it is the price paid for labour, and the profits or interest of capital which, whether taken in the light of merely accumulated labour, or, as an active instrument of present labour, is, perhaps, the most important element in production:—for we see by its application to mechanics, the power of one labourer is multiplied one hundred-fold and more; by its application to commerce, the labour of exchanging the productions of the most remote corners of the globe

is reduced from an utter impracticability without it, to an almost insensible amount by its aid.

Well then, consumptive ability,—whether arising from the rents of land or houses, the value of which have alone been created by past labour; whether found in public functionaries, civil, military, or naval; whether in the interest derived by the capitalist for his loan—the profits of commerce, the produce of the soil, the wages of labour, are all resolved into two simple things—the price of labour, and the interest of capital; or, in other words, the two only elements of production.

It would therefore follow, that, in order to increase or diminish materially the consumptive ability, one or both of these elements should be correspondingly increased or diminished; and it would therefore be no great matter of surprise if we saw a community evincing great energy and industry one year, and utter imbecility and indolence another year: that such periods should be marked by a very different amount of consumptive ability; but consumption certainly could not be materially abridged, until productive energy had failed:—on the other hand, if we see a nation steadily becoming richer and more industrious, with a productive ability uniformly increasing, we have necessarily to expect that its consumptive ability must, in like manner, advance as uniformly; and until a reaction takes place in the former, no change should be experienced in the latter.

This natural and necessary inference cannot, how-

ever, be said to be at all applicable to the experience of this country; and it is no wonder that many attempts should have been made to account for so obvious a departure from the natural order of things—for the violent and constant changes which have occurred in the relation of production and consumption,—and thereby, for the continual derangement and excitement which have followed each other at rapid intervals, and which have time after time shaken the whole commercial fabric to its base.

It is a common and favourite mode to arrive at an object by the shortest possible mode: and therefore, in the inquiries which take place as to the cause of certain effects, it is not unusual to mistake some of the other symptoms as the cause, instead of merely as the co-existing effects of a common cause.

In the eager inquiries which have occupied the public mind from time to time as to the cause of the disorders of which we now speak, we think we discover a striking illustration of this tendency. In all these investigations the chief, if not only causes which have been relied upon have been: first—An imperfect banking system, by which the capital of the country has been capriciously managed; by which, in the popular term, a power has been given to certain establishments, especially the Bank of England, to “*tamper with the currency;*” by which at one period money has been rendered plentiful and of easy acquirement, and has given a most unnatural stimulus to speculation and production:—and at another

period very scarce and difficult to obtain, and thereby cramped the facilities of commerce and production : and, secondly, That, at particular periods, overtrading, as it is termed, prevails to a great extent, stimulated by excessive and easy credit producing wild speculation, which ultimately ends in a serious reaction, producing all the panic and dismay which have attended our commercial crises. It must be admitted that many reasons have existed to direct the public mind to these two points ; but it is not difficult to show that there can be no truth in alleging that they are the first cause of the serious occurrences to which we refer, the continued fluctuations in the condition of the industrial and commercial prosperity of this kingdom.

With regard to the former reason, after having so fully gone into a consideration of it, in the last chapter, it would be superfluous to repeat the arguments which we there use to show that no banking establishment, much less the Bank of England, powerless and dependent as it is for its existence on credit only, could exercise such an influence on this great and powerful community. Whether we speak of the action of the Bank of England, or of the action of the whole banking establishments in the kingdom, it must be clear that they can only act, as they are acted upon, by the source from which their power of action is derived. Now inquire what is the source of power :—the wealth of the community from time to time, which finds its way into the hands of bankers for employment, and who are therefore the agents through whom the surplus or spare capital of one portion of the public finds a safe,

prudent, and profitable employment by another portion of the community.—A, B, & C, have money to lend or invest for an uncertain period; they have no sufficient knowledge or reliance on their own judgment to undertake the task of lending themselves, especially as they may require the money again at a day's notice; they lend to their banker, from whom they can always rely on obtaining it when required. The banker, then, having a connection of borrowers, as well as lenders, distributes these sums intrusted to his care in such loans and other ways as enable him to make a profit; but always having at the same time his means sufficiently available to repay his creditors whenever they require it. The business of a banker may therefore be said to be, that of borrowing at one rate of interest from one portion of the public, and lending at a higher rate of interest to another portion; the difference being the remuneration for the undoubted guarantee which his known wealth and respectability infuse into the transaction, and for the facility of always being able to receive it back when required. It is true, there are some bankers who have a large available capital of their own always employed, and so far these bankers are more independent of external influences; to this class the Bank of England certainly does not belong. It is also true, that there is a certain power amongst bankers of creating money by paper issues, but this is a most weak and inefficient source of means. In a country where only a large denomination of notes prevails, and those always convertible, such paper issues can only be sustained to a certain proportion of the whole circulation. There may be moments when by violent

attempts more than a usual proportion is sustained, but those periods must be of very short duration ; as a rule, if the whole circulation increases or diminishes, the portion of it which is paper convertible on demand must also in like manner increase or diminish.

In comparison, therefore, of these two last modes of bank action on the public, viz., their own private and independent capital, and the power of creating money by paper issues — the first mentioned, viz., that of deposits, bears a most indisputable and overtowering importance. The amount of deposits of banks is their great strength and power. The wise and active employment of deposits, is the greatest and truest source of bank profits. Even in Scotland, where a paper circulation prevails to a much lower denomination than in England, deposits are still the greatest and most available power of business and source of profit.

Seeing, then, that any increase or diminution of the power of bank action must proceed from the public, that power can only become greater when money is becoming more abundant with the public, and cannot fail to become much weaker when the public means are diminishing, or suffering any unusual or extraordinary absorption ; and it would, therefore, be more correct to say, that in any correspondence which is seen between the action of banks, and the oscillations in the trade and commerce of the country, the former is rather the effect of the latter, than the cause ; and perhaps truer still to say, that they are equally the effects of some common cause.

With respect to the other alleged cause of these derangements and fluctuations, that they proceed from and are caused by overtrading, and an excess of credit called into existence simply by the will or caprice of the moment, it will be no difficult matter to show that such a state of things were utterly impossible. It is utterly impossible that any production whatever could take place upon credit; except where an inconvertible paper currency existed of a very low denomination, which could not last long without the most alarming depreciation;—but, circumstanced as we are in this country, with a convertible paper currency only, and that only of a large denomination, no production whatever can take place that is not represented by real capital.

True it is, as far as the immediate agent of production is concerned, all may be done upon credit; he may buy his raw material upon credit; he may pay the wages of labour by an advance from his banker; he may sell his goods to a merchant at a lengthened credit, and receive an acceptance for the amount, which he may convert into money; and, to put an extreme case, he may thus actually become possessed of capital instead of investing it by this process. True it is, to put a case advanced in a recent pamphlet, written to prove that the objects of our present consideration are the cause of these evils,—that these goods so produced (amounting to £2000) may be sold and resold nine times within a few days, and that for each sale a bill of exchange may be drawn and discounted: and that amongst these individuals, from the producer to the last seller, an amount of capital to the extent of £20,000 may thus

be created. True it is (to follow another illustration of the same writer), the same goods may be then consigned to a distant market, and an advance made by the acceptance of the party to whose care they are intrusted payable at a distant date, which may also, by similar means, be converted into cash. True it is, that by this extreme, though quite possible proposition, capital to the extent of £22,000 may, by the multiplied credits of those parties, find its way to their possession; but just as true it is, that every shilling of this sum must be advanced from the real substantial capital or money of some one or other of the community. The immediate parties who give the credit may only be enabled to do so by themselves receiving credit; the parties who discount the bills may only be enabled to do so by re-discounting them again and again, but at every stage, and ultimately every shilling must represent the real capital of some one or other. The only possible mode in which production could take place on credit, in the broad sense affecting the community, would be to suppose, that the labour that produced from beginning to end could be supported by credit; that the muscle and sinew, the physical energy, which to-day is exhausted, by calling into existence a new object could wait two, three, or four months to be replenished; for it would not be enough, even that the labourer should be able to give a credit upon his labour; for then it is obvious that he is either a capitalist himself, or indebted to some capitalist;—day by day, nay, hour by hour, the exhausted energies must be replenished; they can give no credit,—they cannot wait *the result* of markets.

All the means, therefore, by which these various credits are supported from beginning to end (excepting when an inconvertible paper currency of low denomination exists), must be supplied from the real absolute capitals and money of some one or other of the community, whether the exchange of the commodity be confined to two parties only, or extended to any number. Now this capital, or accumulated labour, existing as it does in the community, is as urgent for employment in order to give it any value to its possessor, as is the use of the sinew and the muscle of the present labourer to him. To either, inactivity is unprofitable and waste. Each, therefore, are simple merchantable commodities, the value of which, and the facility of acquiring their assistance, depends only on the relative proportion of supply and demand. If, therefore, credits become abundant and excessive, and *trade* or production is thereby extravagantly stimulated, it can only be because the supply of capital seeking employment is very great; and, if credit becomes very contracted, and the facilities of trade much impaired, it can only be by the amount of capital seeking employment being much lessened—the simple effects, it is true, being exaggerated by the competition which in the first case exists to invest, and the greater risks that are then taken; and the second place, by the increased caution by the market of demand being more in the hand of the suppliers; but, in both instances, it is simply a question of amount of supply in relation to demand. It would therefore appear, that both of these popular modes of accounting for the sudden and frequent fluctuations of trade are only part of the co-

existing effects arising out of the great fluctuations in the amount of capital available for trading purposes at different periods.

It has already been shown how difficult it is to conceive that the wealth or capital of a country, of uniform industry and perseverance, can fluctuate much ; but this is not necessary, as the same effect will be produced if we can show that that capital suffers any very material and imperative change in its direction from time to time.

In the preceding chapter we have entered into so much evidence to show the great extent of such changes in the direction of the national income and floating capital of this country, by the fluctuations which have continually been going forward in the amount absorbed at different periods, in payment for the first necessaries of life, whereby great and violent changes are shown to have occurred in the state of the currency and money market ; and we believe, by a careful investigation, that we shall find that the same cause has exercised over commerce and trade all the fluctuations of which we have spoken.

If our reasoning, and the facts displayed to illustrate our position, have proved at all satisfactory to the reader, with respect to the influence which the fluctuations in the price of wheat have exercised over the currency and money-market, we believe that the applicability of the same facts and the same reasoning will not fail to be more satisfactory and conclusive on the present subject of consideration.

In considering the influence which the large fluctuations of the amount of the national income and means absorbed from time to time have exerted over our industry and commerce, there must necessarily be a considerable similarity to the arguments and illustrations already used, in reference to their effects on the currency and money-market ; and to prevent any tedious repetitions of these arguments, we must take it for granted, that the reasoning in the previous chapter is always clearly before the reader.

By the policy pursued by our laws, the interests of this great country have been divided into two great sections, the agricultural and commercial : but it must be very plain to every thinking mind, that these interests, ultimately interwoven with each other, and entirely dependent upon each other, and having no ultimate and final interest distinct from each other, never could have suffered this unnatural severance but by the exertion and interposition of unnatural laws, which have ever proved impracticable and futile, because they were unnatural ;—because they affected to give a support to one interest, which, if it should have any effect at all, was to be a direct charge on the only other interest which was expected to support the protected one ; and, therefore, in the exact proportion that the law should prove successful in its object, must have had the direct tendency to weaken and impoverish the objects on which they relied.

The laws of Providence and the laws of nature are mutual dependence ;—a principle calculated to bind in

the strongest harmony the best interests of all classes and portions of the community ; and any legislative attempt to sever these mutual interests and reliance, while it may have given to the whole tone and arrangements of the social system, and prosperity of the community, a most unfavourable and unhappy direction, never succeeded in the object it had in view ; nothing has tended more to lower the estimation and influence of legislative wisdom than their abortive attempts to control the natural and imperative current of national and mutual interests.

But treating things as they are, such a severance, however unprofitable to all parties, has been effected.

We must admit, that the first and most imperative call upon the national income of the country, upon its consumptive ability, must be the first necessities of food ; that to this provision all other considerations must give way ; that every thing else must be considered relatively as luxuries, which are indulged in only in proportion to the ability remaining after the first necessities are secured.

If, therefore, the cost of these first necessities is very changeable and fluctuating, the ability to consume all other products must be equally fluctuating ; and the fluctuation of the former must necessarily prove the cause of the fluctuation of the latter.

Confining our consideration of these principles, as we have hitherto done, to *wheat*, the first universal

necessary of life, we have shewn in page 10, that at the average price of a number of years the actual cost of this article to the country has been 41,600,000*l.*; and taking this average as the correct amount of the annual expenditure which should be so absorbed, it necessarily follows, that in proportion as it rises above or sinks below that average, the national means for sustaining other branches of industry must necessarily increase or diminish.

The fluctuations which have occurred in the amount of national means, so absorbed, have been carefully given in a table, page 13. This table shews that the means thus absorbed gradually fell from *seventy five millions* in 1817, to *thirty-three millions* in 1822: then gradually advanced to *fifty-three millions* in 1829; then again fell to *thirty-one millions* in 1835, and finally, again, advanced to *fifty-six millions* in 1839.

In this manner has the most imperative portion of the national expenditure varied and fluctuated, and leaving therefore so much less in some years, and so much more in other years to expend in all other objects of lesser necessity, of taste and luxury; the obvious and necessary tendency of which must be to give in some years a most unnatural excitement and encouragement to manufacturing and commercial pursuits, and in other years to withdraw from such pursuits not only the portion of the public income which they had enjoyed more than their proper share, but to reduce it as much below the fair proportion as it had been before above it, has been sufficiently alluded to in the preceding chapter, in the

obvious and close relationship such considerations have with the currency.

We will now endeavour, as shortly as possible, to trace the effects of these fluctuations on manufactures and commerce, as exhibited by the occurrences since 1832. The four preceding years had been marked by a continuance of high prices of wheat, and by a low stagnant state of the manufacturing and commercial interests.

In 1832, the sum absorbed in the price of wheat was *six millions* less than the preceding year, and we find that in that year trade began to evince symptoms of a more active character.

In 1833, a further reduction took place in the sum absorbed in the price of wheat to the extent of *four millions* :—a further improvement and steady extension of commercial prosperity was visible during this year.

In 1834, a further reduction took place in the sum absorbed in the prices of wheat of *five millions*—which was again accompanied by a further increased demand for the products of commerce and manufactures.

In 1835, a further reduction took place in the sum absorbed in the prices of wheat of *five millions*, making a total difference of *twenty-one millions* in this year as compared with 1831, in the portion of the national income and means thus absorbed. During this year, and the beginning of the following, the demand for the products of manufacturing skill, for the luxuries wafted

to our shores by our commercial enterprise, rose to an amount unprecedented (in relation to our means of supplying them) in the annals of commerce ; while the agricultural interests sunk year after year into a state of poverty and ruin.

It may appear somewhat unaccountable, that the former interest should have flourished so much, while the latter should be so depressed ; but it must be borne in mind, that the portions of the agricultural interest who experienced this suffering were only the landlords and farmers, while the great bulk, the large mass of consumers represented by the labouring classes, received really higher wages in these years than formerly, in consequence of the great demand for labour called into existence in the manufacturing districts, and in carrying into effect all the schemes of internal improvement, by railways, &c., to which the unnatural abundance of capital, set free in those years, gave rise.

We would now inquire what was the imperative consequence of this state of things?—a demand for manufactured goods and commercial products, which could hardly be met by existing means ; a price for the products of agriculture, which brought certain ruin and difficulty on all whose capitals were engaged therein.

The natural and imperative consequences ensued. Every effort was used to extend the means and facilities of extending production on the one hand. Fac-

tories were reared on all hands—the productive ability of machinery was increased by new improvements and accelerated movement—ships were built—mercantile establishments sprung into existence—and banks were created day by day ; in short, all the necessary and contributory means suited not alone to the present enormously increased action of commerce, but to a belief that the increase would continue at the same rate, rapidly arose on all sides, while the capital engaged in agriculture was year after year suffering greater and greater depreciation, and consequently tending to discourage production.

In this most unnatural position, therefore, at this moment were we placed : we were calling at an enormous rate productive ability in manufactures to supply the supposed demand of the future, while the means of future subsistence were daily suffering diminution.

The unnatural excitement and speculation which arose out of the plethora of free capital in 1835 and 1836, lead, as we have shewn in the last chapter, to the panic of 1836-37.

The character and symptoms of this crisis demand a most minute investigation in reference to its general connexion with trade. It was most strikingly a money crisis, and a money crisis only :* a disturbance of the

* When we use the term "*money crisis*," we do not mean to assent to a most prevalent opinion, that it was brought about by a redundant and extravagant paper issue, which we believe to be an error, but into which we shall by-and-by inquire more particularly.

channels of connexion between producer and consumer, and not a disturbance in any general relative ability of consumption and production.

The approach of this crisis was not marked by any diminution in the demand for the products of industry, but on the contrary, this demand continued for many months with unabated vigour, after the commencement of the monetarial crisis, and suffered no check until the channels of interchange were entirely choked by the want of confidence which ensued.

Great as were the monetarial powers and means of the time, a spirit of extensive enterprise was encouraged and called into existence, and future commercial and financial liabilities contracted, which, as they became due, proved to be greater than the ability which existed for their provision. But, in the first instance, these difficulties were confined to a few of the leading parties, who had entered most extensively into these liabilities; and altogether may be said to have been confined to foreign commerce: and that chiefly by the sudden reduction which took place in the price of every commodity, in consequence of the urgent demand for money to meet the extravagant engagements which had been promoted by the unnatural excitement and speculation of the previous two or three years. Towards the middle of 1837, when this panic arrived at its greatest height, there were certainly considerable symptoms of a depression in manufacturing industry; but we believe these arose altogether out of the derangement of the chan-

nels of supply, and not out of any abatement in the actual consumption ; which, whether it be considered in relation to a foreign or home demand, we will hereafter shew suffered no diminution, but, on the contrary, exceeded that of any preceding year. The elasticity which every interest displayed in recovering its natural position, immediately the unnatural pressure of overloaded liabilities was removed, sufficiently shewed that this crisis was a mere reaction of the unnatural abundance of money and excitement of commercial enterprise arising therefrom, which we we have shewn had been called into existence at this period, and not of any substantial derangement of the ability of consumption and production, which must ever be regarded as the only great source of general prosperity.

We are ready to admit, that during this crisis, from September 1836 until September 1837 (but felt chiefly from February until July of the latter year) larger losses were incurred by individuals, and a greater difficulty was experienced in sustaining engagements than perhaps ever before existed in the commercial world.

The enormous amount of foreign credits, especially American, which had been granted, and the huge liabilities which arose out of them (promoted by the great abundance and facility of obtaining money for some time previously), found our money-market in a condition of comparative exhaustion : and hence the competition which arose to obtain money and support credit, led to great sacrifices, and a sudden and intense depression of prices. This chiefly took place in the

months of *March, April, and May*. On the first of June, the crisis reached its summit, but the public mind was relieved from the suspense in which it had been held for some time, by the protection which the Bank of England had extended to some leading houses being withdrawn, and their consequent suspension of payment. Immediately after this event confidence became greater and greater every day; prices gradually improved, and before the close of the year things had assumed their usual appearance; and although many individuals lost large sums of money by the sudden depression of prices during this period, yet, as a whole community, the amount of wealth did not suffer much contraction: production and consumption went on without much interruption, the price of food was still moderate: a large portion of the national income was still available for the consumption of manufactures: this will appear by the following analysis of the cotton trade of 1836 and 1837:

	Cotton wool taken into consumption.	Exported in Goods and Yarns.
1836	363,684,232 lbs.	198,868,910 lbs.
1837	368,445,035 „	207,576,839 „

We therefore consider this crisis in the character of a mere temporary reaction, the effects of which soon disappeared.

In the commencement of 1838, every branch of industry assumed a most active but substantial appearance, every description of produce obtained a fair and

moderate value ; and the great engines of increased productive power, which had been called into existence by the excited demand which had prevailed for two or three years, sprung into great and energetic action. In the absence of any speculation or excitement, all the new manufacturing establishments, all the increased mechanical power, and labourers of every class, found in this year a full employment : and never was there, to all external appearances, more reason to look forward to a continuance of existing prosperity : an enormous advance had been made in the economy of production, reducing the price and increasing the consumption of all articles of manufacture, and the well-poised relative condition of all the leading interests of the country gave great assurance of durability.

In the midst of this security, however, towards the close of the year, a cause of embarrassment, which had been secretly and unwittingly in silent operation for some time, began to shew itself. The depressed condition of the agricultural interest for some years had not failed to discourage production, as much as the increased impulse of the manufacturing interest had tended to encourage it. The lavish consumption of wheat, for some years, and the diminished efforts of production evinced themselves towards the autumn of this year, by rapidly rising prices consequent on an exhausted stock. In addition to this alarming symptom the harvest was not only late, but to every appearance threatened to be very deficient. As we have now arrived at the end of a period of low and moderate

prices, at the point when, by the necessary operation of cause and effect, we are about to suffer a great and violent change in existing interests, we crave attention to the following statistical evidence of the rapid and uniform advance of our manufactures during the period under review.

The cotton trade offers the safest evidence on this point; being an article altogether imported, and no part produced at home, the Custom-house returns furnish an unerring guide to the progress of its consumption. It is also the article of our most important manufacture.

Years.	Cotton taken into Consumption.
1832	259,412,463 lbs.
1833	293,682,976 "
1834	302,935,657 "
1835	326,407,692 "
1836	363,684,232 "
1837	368,445,035 "
1838	460,756,013 "

The following is the weekly consumption of Cotton Wools in each of these years in bags :

1832	1833	1834	1835	1836	1837	1838
16,650	17,217	17,165	18,157	19,978	20,794	24,312

shewing in seven years an increase of 7,662 bags weekly, or 398,464 yearly: or of 201,343,550lbs. in the consumption of this great staple of our manufac-

tures : while in the preceding seven years (during which period wheat ranged at very high prices), the increase in the consumption of cotton wool was only 70,702,784lbs. The two periods stand thus :

Years.	Average price of Wheat.	Progress of the consumption of Cotton Wool during seven years of high prices, and seven years of low prices of wheat.			
1825	66/6	202,546,869 lbs.	1832	58/8	259,412,463 lbs.
1826	56/11	162,889,012 "	1833	52/11	293,682,976
1827	56/9	249,804,396 "	1834	46/2	302,935,457
1828	60/5	208,987,744 "	1835	39/4	326,407,692
1829	66/3	204,097,037 "	1836	48/6	363,684,232
1830	64/3	269,616,640 "	1837	55/10	368,445,035
1831	66/4	273,249,653 "	1838	64/7*	460,756,013
Increase		70,702,784 lbs; or 35 per cent.	Increase		201,343,550 lbs; or 80 per cent.

We have seen in the former chapter that in the autumn of 1838 we commenced an expenditure of more than £300,000 weekly, as the price of bread, above the fair average cost of that article, which continued during the whole of the following year, 1839; during which period foreign wheat, at a cost of thirteen millions sterling, and other grain at a cost of two millions more, were taken into consumption. It became obvious that so large an additional amount of our expenditure being directed into this channel, could not fail to act with great effect in the consumption of all other articles of less importance; and that so large a sum being required to pay for foreign supplies could not

* The price of wheat was moderate in 1838 until towards the close, when it rose to a very high range, which shews a high average, but the effects of which were experienced in the beginning of the following year.

fail to derange the financial arrangements by which our commerce and industry were supported. The cause, however, continued in operation for a long time before its effects became very apparent. Merchants, manufacturers, dealers, wholesale and retail, must always act by anticipation. Provision must be made before the hour of demand. The manufacturer continues his industry and his purchases of raw material from the merchant, in anticipation of his usual demand; the dealers order their usual supply for an approaching season, anticipating the same consumption as before; and it is not until some time has passed, until the dealer is disappointed in the demand from the actual consumers, that, failing to replenish his stock to the ordinary extent, the deficiency falls back upon the manufacturer, and ultimately upon the merchant, for the raw material, and the suffering artizan for his labour. It was not, therefore, until the spring of 1839 that any material falling off was experienced in the demand for the products of our chief manufactures. From this period the effects of the high prices of wheat, in lessening the consumption of manufactured goods, became daily more and more apparent. The usual extensive preparation for the spring demand (when nature, gladsomely arrayed in new attire, invites us to be so also) proved much too great; disappointment was experienced, and derangement rapidly ensued. It became evident, that if the enormously increased productive power was continued in full operation, manufactured goods would soon have scarcely a price at all, from the competition which must ensue. Mills were, therefore, by common consent, put on short

work, and production checked in every possible way : but here arose two new evils ; it soon became apparent, first, that in proportion as production is checked, its cost is enhanced in all mechanical operations by a given amount of capital invested with its whole management, producing so much less than before ; and, second, that a great number of working men must be thrown either altogether or partially out of employment, and the whole ability of consumption being thus lessened, was soon felt to re-act again on the demand for production.

Such is the mutual dependence on each other in the social system, that no sooner does one branch of industry fail than all others immediately feel the shock ; and every day, by the action and re-action of cause and effect, fresh numbers are added to the list of the unemployed and distressed.

If one class of producers cease to be fully employed, while at the same time the necessaries of life are considerably dearer, it is clear they can no longer purchase the labour of other classes of producers to the same extent as before. The means of the latter classes being thus abridged re-acts again on the former, and thus all classes of labourers are, sooner or later, drawn into the position of having a much smaller demand for their products ; and, therefore, independently of the high price of provisions, their ability to consume becomes day by day lessened ; the necessary action of which is to create a supply of labour very disproportionate to the demand, and thereby, with half work

and dear food, to cause a reduction in the price of the little labour required.

In this manner, week after week and month after month, the depression became greater, and extended itself to every class of industry throughout the kingdom; and fully justified the worst anticipations which existed as the necessary consequences of the diminution of national means to consume the products of manufacturing industry.

In illustration of the effects of the present Corn Laws, the consideration of this year is very important and interesting; as it is the first since 1831 in which prices have risen so high as to allow of a free importation, or of an importation to any extent, with the exception of the last three months of 1838, the effects of which we have already shown, were experienced in the year under notice. We will therefore endeavour to show how the influences, of which we have spoken have acted upon the interests of trade, by examining the comparative result of 1839 with the preceding year, in which inquiry we shall be guided only by official, or other undoubted authority.

Much disputation has taken place as to the relative importance of the home and the foreign trade of this country; we are however assured, by every calm reflection, that ultimately the one must ever depend in a great measure on the other. A foreign trade can only be supported by an ability of consumption of the articles taken in exchange, which necessarily im-

plies a proportionate consumption of our home production; and it is evident there is no attempt to send articles to a distance for sale as long as there is consumption at home.

Whatever may be the difference of opinion as to the relative importance of the two classes of trade (into which we have not here leisure to inquire), it must be obvious that the home trade furnishes a much more accurate criterion of the real condition of the nation and business generally than the foreign trade, for the two following reasons: first, a large portion of our foreign trade consists in consignments on speculation of the demand in foreign countries, which often increase in the proportion that parties are disappointed of an actual demand for consumption at home, but which, in reality, may be considered a mere transfer of goods from the warehouse of the owner in this country to that of his agent in some other, without being any nearer to actual consumption; and, secondly, because it is possible, but not probable, that for some time at least reasons should exist for an increasing consumption of goods in foreign countries, while our home consumption was much depressed.

One thing, however, must be obvious, that in proportion as the supply prepared for home consumption proves to be too great for it, there must be a tendency and an effort to diffuse the surplus over foreign markets: there are two motives for this operation; first, the quantity cannot be consumed at home—an extended field must be sought, and the surplus is neces-

sarily pressed on other markets ; and, second, by the practice in business it is usual for the parties receiving consignments of goods for sale in foreign markets, to make advances in anticipation of the ultimate result of such sales ; and, therefore, if parties are disappointed of a home demand, a facility of obtaining means to meet their engagements is thus afforded, of which they have otherwise been deprived.

It is therefore clear, that a large export trade may equally prove two things :—first, a demand from foreign countries, temporarily independent of our condition ; or, second, a very depressed home consumption, by which the surplus production is pressed into other channels to find consumption, and in the mean time to afford the facility of obtaining advances in the current, and apparently regular mode of business.

It was therefore to be expected, that when any sudden cause arose to disappoint the usual arrangements which had been made for the home supply, the surplus on such occasions should be forced into an export trade, for the two reasons we have given.

With these preliminary remarks, we will proceed to the proposed comparison of the trade of 1838 and 1839 ; in which we shall find, as all our arguments lead us to anticipate, a great reduction of our home consumption with an increase in our exports of manufactured goods in the latter year as compared with the former.

In this inquiry, we will direct our attention chiefly to the cotton trade, not only because it is by far the most extensive branch of our manufactures, but being exclusively of foreign produce, the custom-house accounts furnish a perfect and unerring guide to its progress.

With respect to the home consumption of our manufactures, there is no official data to guide us, nor has there been any attempt hitherto to arrive at any correct estimate of its amount. We trust, however, that the mode we have adopted will appear sufficiently clear and accurate, to obtain a correct estimate of the home consumption.

COTTON TRADE OF GREAT BRITAIN.—1838.

	BAGS.
January 1st, 1838, stock on hand	409,057
Imported into Liverpool	1,329,142
" " London	46,764
" " Glasgow	53,156
	1,429,062
Total supply	1,838,119
Deduct exported	102,370
Stock left, December 31st	498,929
	601,299
Total number of bags consumed,	1,236,820
At an average weight of 346lbs., making 426,090, 116lbs.	

of cotton wool spun in this year, of which was exported from England in manufactured goods as follow :—*

WEIGHT OF YARN IN MANUFACTURED COTTON GOODS EXPORTED FROM ENGLAND IN THE YEAR 1838.

Description.	Number of yards, &c. of each description.	Length of each piece.	Number of pieces of each description.	Weight of yarn in each piece.	Total weight of yarn exported in goods.
	Yards.	Yards.		Hst. of.	lbs.
Calicoes, Printed & dyed	264,724,867	28	9,454,459	4 4	40,181,451
Calicoes, Plain . . .	282,847,754	24	11,785,323	6 0	70,711,938
Cambrics and Muslins.	5,845,521	20	292,276	3 0	876,828
Velvet-ens, Velvets. Cords, &c.	4,688,077	60	78,135	22 12	1,777,570
Quiltings and Ribs . .	472,202	60	7,870	18 0	141,660
Cotton & Linen, mixed	1,870,473	40	46,762	8 0	374,086
Ginghams and Checks	2,516,576	20	125,829	3 8	440,401
Ticks, checked and striped	212,553	50	4,251	20 0	85,020
Dimities	89,802	60	1,497	12 0	17,964
Damasks and Diapers .	18,332	36	509	10 0	5,090
Nankeens	383,786	50	7,676	8 8	65,246
Lawns and Lenos. . .	18,250	20	912	2 8	2,280
Imitation Shawls . . .	106,572	12	8,881	2 8	22,202
Lace, &c.	81,987,421	40	2,049,685	0 8	1,024,842
Counterpanes & Quilts	96,307	No.	96,307	7 0	674,149
Shawls & Handkerchiefs	808,924	Doz.	808,924	2 8	2,022,310
Tapes, Bobbins, &c. . .	1,205	..	51,205	1 0	51,205
Hosiery	447,391	..	447,391	2 8	1,118,477
Unenumerated	119,190	£.	Sterling.	10 0	1,191,900

Total Weight of Yarn Exported in Manufactured Goods, in 1838, 120,784,629.

* For the data of these calculations, &c., in this table, we are indebted to Mr. Burnes, of Manchester (so deservedly known as a great authority in cotton statistics), obtained through Richard Cobden, Esq.

	lbs.
Total of yarn in manufactured goods . .	120,784,629
" " as such	113,753,197
" " Thread	3,362,983
	<hr/>
Total weight of yarn exported	236,900,809
To which add $\frac{1}{4}$ th, to show the quantity of Wool	33,842,972
	<hr/>
Total weight of cotton wool exported in goods and yarn	270,743,781
Shows cotton wool consumed at home, in manufactured goods, and the Scotch trade	155,346,335
	<hr/>
	426,090,116
	<hr/>

COTTON TRADE OF GREAT BRITAIN.—1839.

	BAGS.
Jan. 1st, 1829, Stock on hand	498,929
Imported into Liverpool	1,015,357
" " London	51,231
" " Glasgow	41,962
	<hr/>
	1,109,550
	<hr/>
Total supply	1,608,479
Deduct exported	121,659
Stock left, Dec. 31	370,276
	<hr/>
	491,935
	<hr/>
Total number of Bags consumed	1,116,544
Or, at the average weight of 346 lbs.:—making	
384,928,079 lbs. of cotton wool, spun in 1839,—of	

which was exported from England, in manufactured goods, as follows :—

WEIGHT OF YARN IN MANUFACTURED COTTON GOODS, EXPORTED FROM ENGLAND IN THE YEAR 1839.

Description.	Number of Yards of each description.	Length of each piece.	Number of pieces of each description.	Weight of yarn in each piece.		Total weight of yarn exported in goods.
				lbs.	oz.	
	Yards.					lbs.
Calicoes, Printed and Dyed	278,064,831	28	9,930,887	4	4	42,207,019
Calicoes, Plain . . .	316,001,128	24	13,166,713	5	12	75,708,599
Cambrics and Muslins	5,168,734	20	258,437	3	0	775,311
Velveteens, &c. . . .	4,396,771	60	73,279	22	12	1,667,096
Quiltings and Ribs . .	215,373	60	3,589	18	4	65,599
Cotton and Linen . . .	1,910,745	40	47,769	8	0	382,152
Ginghams and Checks	2,681,394	20	134,070	3	8	469,245
Ticks, checked, &c. . .	326,981	50	6,540	20	0	130,800
Dim ties	92,254	60	1,538	12	0	18,456
Dam sks and Diapers	24,108	36	679	10	0	6,790
Nankeens	121,258	50	2,425	8	8	20,612
Lawns and Lenos . . .	47,840	20	2,392	2	8	5,980
Imitation Shawls . . .	27,652	12	2,304	2	8	5,760
Lace, &c.	91,531,094	40	2,288,277	0	8	1,144,138
Counterpanes, &c. . . .	142,708	No.	142,708	7	0	998,956
Shawls and Handkerchiefs	686,616	Doz.	686,616	2	8	1,716,560
Tapes, Bobbins, &c. . .	81,432	..	81,432	1	0	81,432
Hosiery	516,156	..	516,156	2	8	1,300,390
Unenumerated	159,341	£	Sterling.	10	0	1,593,341

Total Weight of Yarn Exported in Manufactured Goods in 1839,—128,298,236

Total weight of yarn in manufactured goods	lbs.	128,298,236
.. .. . Exported as such		99,043,539
.. .. . Thread		2,711,798
		<hr/>
		230,053,673

	lbs.
Total weight of Yarn exported . . .	230,053,673
To which add $\frac{1}{7}$ to show the quantity of Wool	32,864,810
	<hr/>
Total weight of Cotton wool exported in goods and yarn	262,918,483
Shows Cotton wool consumed at home in manufactured goods, and the Scotch trade.	122,009,596
	<hr/>
	384,928,079
	<hr/>

Which leads us to the following comparison of the Cotton trade of 1838 and 1839 :—

Quantity of cotton wool exported in a manufactured state, in 1838 . . .	lbs. 270,743,781
do. do. 1839 . . .	262,918,483
	<hr/>
Deficient in the latter year, all in yarns	7,825,298
Quantity of cotton wool consumed at home in manufactured goods, and the Scotch trade, in 1838 . . .	155,346,335
do. . 1839 . . .	122,009,596
	<hr/>
Deficiency in the latter year, in home consumption	33,336,739
do. do. Export	7,825,298
	<hr/>
Total deficiency of cotton wool manu- factured in 1839	41,162,037

Of this deficiency the whole of the portion in the export is in yarns, which, in that state, may be esti-

mated at *one shilling* per lb. for the weight of wool. The deficiency shown in the home trade must be considered altogether as manufactured goods of every kind; the value of which, as a fair general average, is calculated at *2s. 4d.* per lb. of cotton.*

The deficiency as thus shown, on the whole trade, will stand thus:—

7,825,298 lbs. in yarn .	1s. 0d.	391,264
33,336,739 „ goods .	2s. 4d.	3,889,286
		£4,280,550

The deficiency of the consumption of cotton manufactures in 1839, as compared with 1838, was therefore upwards of *four millions of pounds sterling*; of which sum *one-fourth* may be called the price of the raw material, and *three-fourths* the representative of *labour, interest of capital, and profit*, in all the different branches of *spinning, weaving, dyeing, bleaching, printing, &c.* and it becomes therefore evident

* This we believe to be a correct calculation; as we have tried it with the whole accounts of the last three years, as shown by the customs entries for export, which were as follow:—in

1837. Exported in manufactured goods 114,709,861 lbs. of cotton wool as manufactured goods:—at the declared value of £13,640,181,—or *2s. 4. $\frac{3}{4}$ d* per lb.
1838. Exported in manufactured goods 138,039,576 lbs. of cotton wool as manufactured goods:—at the declared value of £16,715,857,—or *2s. 5d.* per lb.
1839. Exported in manufactured goods 146,626,555 lbs. of cotton as manufactured goods:—at the declared value of £17,694,303, or *2s. 5d.* per lb.

that the cotton interest alone has suffered an abstraction from its income, in the last year, as compared with the preceding, in *labour, interest, and profit*, of the large sum of *three millions two hundred and ten thousand pounds*.

After calmly examining these facts, can any one be surprised at the *ruin* which has crowded the Gazettes with bankrupts, and the famine which has wrought such wreck in the cotton manufacturing districts, during the last year?

All the other leading branches of manufactures have shared a similar fate during this period. In every instance, as far as can be discovered, the quantity of raw material consumed has been greatly diminished; and in every case a greater proportion of the amount of what production has been created has been forced into an export trade, for the want of a home consumption, which is therefore shown to have diminished, not only by a great diminution of the whole quantity manufactured, but by a large increase of the portion forced abroad.

The following statements will show the result of the leading articles of manufacture:—

Quantities taken into consumption and exported in 1838 and 1839 of the following articles:—

WOOL.		lbs.
Taken into consumption, 1838 . . .	56,415,460	
Ditto 1839 . . .	53,221,231	
Less, cleared for consumption . .	3,194,229	

	£
Woollen goods exported, 1838	6,179,604
Ditto 1839	6,679,287
	<hr/>
More, exported	499,683

FLAX, &c.

	cwt.
Taken into consumption, 1838	1,625,830
Ditto 1839	1,228,894
	<hr/>
Less, cleared for consumption	396,936

	£
Linen manufactures exported, 1838	3,566,435
Ditto ditto 1839	4,237,095
	<hr/>
More, exported	670,660

SILK.—RAW, WASTE, THROWN, &c.

	lbs.
Taken into consumption, 1838	4,887,456
Ditto 1839	4,757,639
	<hr/>
Less, cleared for consumption	129,817

	£
Silk Goods exported, 1838	777,280
Ditto 1839	865,768
	<hr/>
More, exported	88,488

EXPORTED, HARDWARE AND CUTLERY.

	£
In 1838	1,498,327
„ 1839	1,819,000
	<hr/>
More, exported in 1839	320,673

As may be expected, we find all the articles, contributory to the manufacture of the above great staple articles, falling off greatly in consumption also. The following table will show the comparison of the consumption of the two years under review of the following articles :—

CLEARED FOR HOME CONSUMPTION.

	1838.	1839.
Barilla and Alkali cwt.	77,759	59,607
Indigo lbs.	3,020,562	2,719,503
Lace-dye „	633,869	539,599
Logwood tons	14,107	17,937
Madder cwt.	109,385	97,645
Madder-root „	83,725	81,219
Shumac „	208,251	171,222
Olive Oil galls.	2,037,987	1,815,692
Train, &c., do. tuns	28,014	22,348
Palm do. cwt.	276,809	266,427

Cochineal and logwood are the only articles which are an exception to a great decrease.

From all these official statements it becomes sufficiently plain that the home consumption of the whole of our leading articles of manufacture has been greatly reduced during the past year, not only to the extent of the diminished quantity actually manufactured, as shown by the falling off of consumption of the raw material, but also by the additional quantities exported to relieve this market of a pressing excess. But although this pressing excess has apparently been disposed of, it is not

in reality so. It has only been removed from this market, and diffused over other markets, where it has also created an excess; the consequence of which is, at this time, that great sacrifices are being made in these distant markets, which all fall upon the British merchant and manufacturer, on whose account such goods were exported.*

It is therefore obvious that, although the effect of the diminished ability to consume the produce of manufacturers, in consequence of the increased portion of the national means absorbed in a high price of provisions, is first apparent on the home consumption, it must ultimately tend also to destroy and to derange our foreign markets in a twofold manner; first, by the large excess thrown upon them from this country, by which they become glutted, and the more healthy demand of direct purchases superseded; and, secondly, in consequence of the great falling off of the consumption in this country of such articles of their growth as form their ability of exchange, their power of consumption necessarily becomes contracted.

There is still one other mode by which the mercantile

* Illustrative of this operation, we may quote the following from an American correspondent to one of our leading journals: "I would wish to give a hint to those of British manufacturers who continue to send over goods to this country to be sold at forced sales, at almost any price. If the practice is continued, the loss will be enormous." The forced sales are, however, only the effect of forced exports.

interest becomes greatly injured at such periods. When, by the sudden demand for grain, the import can only be secured in exchange for *bullion*, then, according to every authority on the currency question, it becomes a duty with the managers of the currency, whoever they are, to contract it in the same proportion that there appears a tendency for the *bullion* to lessen, in order to raise the value of money, and prevent a further abstraction of *bullion*. Well, be it so, and admit that they succeed : what is the result ? The same quantity of wheat must still be obtained, and it must be paid for : the principle is that by raising the value of money so high, the price of goods is depressed so low, that at last, instead of taking gold at a very high price, they take goods at a very low price ; instead of taking a small quantity of *bullion*, they are induced to take a large quantity of goods, as compared with the ordinary and real comparative value of the two commodities.

If, therefore, this attempt of raising the value of money means anything, it is simply depressing the value of goods so low, comparatively, that the foreigner is induced to take the latter, instead of the former, in exchange.

Suppose this to be true—it is obvious that this is another motive from the same common cause of forced exports, at ruinous prices ; and it is not necessary to accomplish the object that the exports should take place to the countries from whence we derive the grain : these countries may require none of our products at that par-

ticular time; or we may find intermediate countries with whom a forced exchange may be made of our goods for bullion, at a smaller sacrifice than could be with the producer of grain; but it is nevertheless the forced exports of our goods at a low price that enables us to satisfy such purchases of grain with bullion so obtained.*

We will not here inquire whether any part of the depression of prices and the forced exports have arisen from a voluntary contraction of the currency, or whether they are altogether referable to a diminished demand for home consumption, as in either case the first cause is the same; and the ultimate effect is to charge the mercantile and manufacturing interest with the whole cost of correcting the derangement.

Having now, we are afraid rather tediously, traced the course of trade since 1832, we would now crave

* In speaking of the monetarial derangement in the United States last year, Mr. Biddle says: "There remains to be added the *vast quantity of foreign merchandise which has been poured in upon us for a market* to swell the amount of our imports, during the present year, far beyond the proceeds of our exports. Immense amounts of the precious metals have already been exported within that period; it is believed that the port of New York alone has witnessed the departure of probably not less than twelve millions of dollars, the fruits chiefly of her collections, for the sales of foreign goods, here and elsewhere; the packets of England, departing every five days, all take their quota; and the great steamers, each with her millions, vie with each other in accelerating their speed to replenish with our means, ere it be too late, the exhausted vaults of the Bank of England."

attention while we shortly apply our general principle to the facts.

We say that the chief cause of the fluctuating character of our trade and manufactures arises from the great fluctuation in the amount of the national income which is absorbed in a number of consecutive years, as compared with others, for payment of the first and imperative necessities of life ; thus leaving in some years a much larger portion of the national means to be expended in manufactured goods, than can be regularly and eventually maintained.

Considering wheat as the most universal first necessary of life, we regard it as an article which fluctuates less in the amount of consumption than any other ; with all classes of society, not absolutely in want, the consumption is nearly the same at all times ; and with the very poorest classes everything else is curtailed or given up before bread. As therefore the consumption does not materially increase with lower prices, or diminish with higher prices, and as we have seen that these prices fluctuate very much, it follows, that the whole amount of means absorbed in the purchase of this article must fluctuate at the same rate as the price.

It also follows that as the means of the community to purchase manufactures, and other articles of a secondary consideration, must depend entirely upon the amount of income left, after securing the first necessities, the demand for the former must fluctuate

exactly in proportion to the price of the latter. Admitting these obvious principles, it follows that if we could maintain a uniform price of wheat, by which the amount of income necessarily absorbed would be always the same, then only could we expect a uniform condition of the trade.

But, if by the operation of our Corn Laws, we have alternately periods of very high prices, and of very low prices, the general condition of trade must oscillate correspondingly. Thus, if the price of wheat continues unusually high for three or four consecutive years, trade must remain restrained and stationary; and thus, if prices fall much below the average rate, the demand for manufactures must receive a great impulse; and, as in both cases, the effect is accumulative, if low prices continue for a number of years, the influence is correspondingly great.

Referring to the table page 13, we find that, during the extremely high prices which ruled from 1817 to 1820, trade was extremely depressed; great distress existed in our manufacturing districts, and the peace of the country was materially interrupted; but no sooner did prices fall in 1820, than an improvement was visible;—a further decline took place in 1821; all complaints vanished, and trade became active: in 1822, a further decline took place,—the influence was more and more evident on manufacturing industry which, in this year, received a great impulse, the effect of which, with moderate prices, continued until the speculative

mania of 1825, with a high price of wheat and a considerable importation, caused a most serious re-action, and which produced the panic of 1825-26.

The great excitement which had prevailed, and the increased demand which had been experienced for the products of our manufactories, during the two or three preceding years of very low prices of wheat, had naturally called into existence an amount of productive power, equal to the demand. In the beginning of 1826, when the effects of the crisis and the high price of grain greatly reduced the demand, the increased productive ability which had thus been called into existence from a temporary cause, added to the other existing circumstances, created a great depression in all branches of business. In 1827, there was a general sign of improvement, but in 1828, the price of wheat advanced materially, and continued very high, with extensive importations, until 1831, during which period, especially in 1829 and 1830, trade was reduced to an extremely low ebb; and the peace of the country was once more threatened by an ill employed population.*

* The following table shows the sum expended in each year in support of the Poor in England and Wales, and bears a remarkable coincidence with the principles under consideration, and the description we have just given of this period:—

YEAR.	£.			s.	d.
1818	7,822,735	Following	1817	Price of Wheat	94
1819	7,468,383	„	1818	„	83 8
1820	7,330,256	„	1819	„	72 3
1821	6,959,249	„	1820	„	65 10

The rapid extension of business which took place under the influence of low prices from 1832 to 1836, and forward until the autumn of 1838, with the sudden and disastrous check it received in 1839, in consequence of the rapid advance in the price of wheat, have already been sufficiently considered.

Having now fully considered the fluctuations to which commerce and manufacturing industry are subjected, by the fluctuating price of wheat, we will shortly examine the relative results of these fluctuations to this and the agricultural interests.

We have found that each interest, at opposite periods, have experienced similar effects—each interest has had periods of alternate excitement and depression—which have been attended by equally ruinous consequences to each.

The landed interest has had periods of very high prices (as from 1828 to 1831)—much above the average prices,

1822	6,358,702	„	1821	„	54	5
1823	5,772,958	„	1822	„	43	3
1824	5,736,898	„	1823	„	51	9
1825	5,786,989	„	1824	„	62	0
1826	5,928,501	„	1825	„	66	6
1827	6,441,088	„	1826	„	56	11
1828	6,298,000	„	1827	„	56	9
1829	6,332,410	„	1828	„	60	5
1830	6,829,042	„	1829	„	66	3
1831	6,798,888	„	1830	„	64	3

which drew into it a much larger portion of the national income than could be sustained. The natural consequence, however, was (and the natural corrective), profits being thus forced much above the ordinary rate, the greatest part of the excess of capital which thus flowed into the agricultural interest was invested in improved and extended cultivation; and just in proportion as the price, and consequently the profit, was above the average, did the inducement exist to improve and extend cultivation to secure these advantages. This naturally led to an over production in the exact proportion to which prices had been forced above the average and remunerating rate; and which, as a necessary consequence, led to a reduction of prices as much below the average and remunerating rate, as they had before been above it: and thus we find that after this period from 1831 prices regularly fell every year until 1835, from $66/3$ per quarter in the former to $39/4$ in the latter year. Of what advantage, therefore, did the high profits made from 1828 to 1831 prove, when, by the necessary tendency of such profits, losses to a corresponding amount arose from 1832 to 1836?

On the other hand, manufacturers have had periods of very extensive demand increasing year after year, as the prices of wheat became lower and more ruinous to the farmer (as from 1832 to 1836). He was then enjoying a demand for his products as much above the proper average rate as provisions were below it. We have given abundant evidence of the rapidly increasing demand for such products, while wheat fell from $66/3$ per quarter

in 1831 to 39/4 in 1835. In the history of the world there is not an instance of so rapid an increase of manufacturing production as arose out of the unnatural stimulus afforded by these extreme low prices. The great and profitable demand which existed under the excitement had the natural effect of forcing into existence a sufficiently increased productive power not only to accomplish all the demand of the time, but to provide for a further increase at the rate experienced by each individual party. We consequently find that productive ability to a most unexampled extent was called into existence at this period, but which did not come into full operation until 1838. In 1835, when most of the cotton-mills not only worked very long hours, but in very many instances with two distinct sets of work-people, continued in full operation night and day, with the greatest possible effort under a most excited demand, the whole productive ability of our cotton manufactures was equal to a weekly consumption of cotton wool of 18,157 bags; but in 1838 it had advanced to a weekly consumption of 24,312 bags, showing an increased power of working up 6,155 bags every week by the great extension of manufactures and expensive improvements in machinery.*

* While the foregoing was at press, we have received a most interesting communication from John Sturrock, Esq., banker, in Dundee, to whom we had addressed inquiries relating to the progress that town had made since 1828, the period which we have so closely examined; and the statistical facts which he furnishes, with his observations thereon, are so truly illustrative of our principles, that we must crave the reader's particular attention to the following extract from them:—

In 1828 the productive ability of Dundee in flax-spinning was

But, as the fundamental cause of this excitement was too great to be permanent—as this extensive demand

equal to 500 horse-power ; it advanced very slowly until the end of 1832, when it was equal to 615 horse-power : from this time until 1836 the progress was very rapid, having in these three years increased to 1309 horse-power. The continued impulse of the great demand in 1835 and 1836 induced a still further extension, until it amounted in 1839 to 1695 horse-power.

The progress stands thus :—

Flax-spinning power in 1828—500 horse-power.

Advanced in four dear years to 1832—615	„	„
„ „ cheap years to 1836—1309	„	„
„ „ „ 1839—1695	„	„

Up to the end of 1836 the whole productive ability of the town was kept in full operation. The reaction which took place in 1837 threw about 200 horse-power out of working ; part of which were again set to work in 1838 : but by the end of 1839, and up to this time, out of the whole existing 1695 horse-power, only 951 are employed, and 744 are standing idle. The comparison is thus :

1828, existing, 500 horse-power ; employed, 500 horse-power.

1832	„	„	615	„	„	615	„
1836	„	„	1309	„	„	1309	„
1837	„	„	1456	„	„	1256	„
1839	„	„	1695	„	„	951	„

We thus see, by the excited prosperity of the cheap years, a productive ability was called into existence which could not ultimately be used, and there is no doubt that a large portion, if not the whole, of the advantages obtained in the good years, have been since lost and sunk in unproductive power. The cost of flax-mills is about 400*l.* per horse-power. The portion now standing in an unproductive state shows a sunk loss of 297,000*l.* ; but, large as this sum may appear, to it must be added the depreciation which the existence of this surplus necessarily inflicts on all those that are employed ; as well as the losses which must arise from a branch of industry of which there must always be,

was based on a price of provisions much below the cost at which they could be produced,—a reaction sooner or later was an imperative consequence; and we find that prices gradually rose, but continued moderate, until the end

with such an excess of productive ability, a large surplus in the market.

The depreciation in the value of the existing mill property, since 1836, is thus stated :—

These mills have cost	£678,000
Of which are employed £380,400	
„ unemployed 297,600	
	678,000
Their present value is not above	339,000
To which add depreciation on manufactories and machine- shops of all descriptions	121,000
Makes a loss in sunk capital, since October, 1836, of	460,000

This loss to individuals is a loss to the nation; therefore what benefit can years of prosperity be either to individuals or the community, when they are, necessarily, succeeded by a loss of the whole advantages, and producing innumerable evils in the derangement and ruin which ensue? Mr. Sturrock observes, with great truth, in reference to this loss—

“ The value can never be restored, unless our rulers adopt measures for having a *free trade with all the world*—admitting at the *same duty the same articles from every quarter*—and, above all, a *free trade in corn*, that our population may be freed from the situation in which they are at present placed, when they *eat* as much as they *can get*, but do not *get* as much as they *can eat*.

“ Thus, by the starvation of the people, are the two ends of the year made to meet.

of 1838 (the very year in which the increased productive ability first showed its great power), when it was discovered that low prices and a lessened production had exhausted the ordinary stock of wheat ; prices rose suddenly, and large imports were required from abroad ; and so much did the enhanced prices of wheat reduce the consumption of manufactures in 1839, that the productive ability, which we have seen was capable of working up 24,312 bags of cotton weekly in 1838, was only called to exercise its powers to the extent of 20,348 bags weekly in 1839, and that at ruinous prices to the

“ The long-continued depression of mercantile affairs is breaking down the spirits of the people and *demoralising them*. They are Lecome callous—think nothing of becoming bankrupts—and many of them have failed twice since 1836.

“ The disastrous consequences which have resulted can only be first alleviated, and then eventually removed, by allowing all nations freely to exchange with us, that markets may be found for the necessaries and luxuries of life, which, from our not-to-be-estimated productive powers, can be furnished to an unlimited extent—for what bounds are there to human wants?—and what reason is there why the population of our country should not be quadrupled ?

“ By a free intercourse the *status of* the world would be generally raised, and our own country, from its wealth, from the confidence which exists between man and man, its ingenuity, perseverance, and skill, would assuredly progress in a much greater ratio than any other.”

The state of things we have described as existing in Dundee, leads us naturally to the consideration that, if so much mechanical power be stagnant, how much physical power and skill must be stagnant with it. We learn from this report that *wages are now twenty-five per cent. lower than they were in 1836, when wheat was half the present price.*

producers. It is therefore plain that a productive ability equal to working about 4000 bags of cotton, weekly, or 200,000 bags in this year, remained stagnant, unprofitable, and just as useful as if it had never existed.

The extraordinary excitement which cheap years of wheat produce in the demand for manufactures, and the great profits which are then secured by this interest, lead only to a time and consequences correspondingly ruinous, by calling into existence a productive ability which cannot be regularly maintained, and which is not only so much positive loss of capital, but, by the general law of competition, when the supply is greater than the demand, reduces the whole product to ruinous prices.

The result, therefore, is, that each of these leading interests is alternately introduced into periods of great prosperity, but which necessarily lead to periods of equal depression, when all the advantages obtained in the former period are lost and destroyed. There is no permanence in the success of either ; and these fluctuations are always proceeding in their course of operation, although it is only at the extreme points that public attention is much attracted by the consequences.

The only way in which these crying evils could be remedied would be by maintaining a uniformity of the price of the first necessary of life, which we have shown is the great acting impulse. If this happy object could be obtained, then the two interests, commercial and agricultural, could only go on hand in hand—progress

together or recede together. As there would exist no undue exciting causes for over-production on either side, each would produce regularly and uniformly nearly the precise quantity required for consumption; no re-action would, therefore, take place, which, while it depressed the one interest, unduly excited the other; but they would advance steadily together, regularly affording to each other additional means of extension, and tending continually to the benefit of each other, instead of as it is at present—that the two interests are alternately rising on the ruin of each other.

We have sufficiently shown in a former work that this most desirable uniformity never can be experienced under the operation of the present law, or any other law which tends to restrict the supply of a regular and uniform quantity—which forbids the excess of one country to flow into another to equalise a deficiency created by accident or a change of circumstances; but which, on the contrary, by holding out delusive promises of a maintenance of extremely high prices, tends to give a most unnatural and excited impulse to production, and thus imperatively induces a course of violent fluctuations which are ruinous to all and beneficial to none.

When these laws were first enacted in 1815, Lord Grenville, and the other peers who subscribed his celebrated protest against them, with great sagacity foresaw all these effects. The following extract from that enlightened document is so true in principle, has proved so true in practice, and is so universally applicable to all

mercantile legislation, that it well deserves to be suspended in every senate-house in the civilised world :—

“ We cannot persuade ourselves that this law will ever contribute to produce plenty, cheapness, or steadiness of price. So long as it operates at all, its effects must be the opposite of these. *Monopoly is the parent of scarcity, of dearness, and of uncertainty.* To cut off any of the sources of supply can only tend to lessen its abundance ; to close against ourselves the cheapest market for any commodity must enhance the price at which we purchase it ; and to confine the consumer of corn to the produce of his own country is to refuse to ourselves the benefit of that provision which Providence itself has made for equalising to man the variations of climate and of seasons.”

PART III.

FLUCTUATIONS OF COMMERCE, MANUFACTURES, &c., OF THE CONTINENT.

THE effects which our Corn Laws produce on continental industry and commerce, and the tendency that these effects necessarily have to re-act again on this country, are well deserving of our consideration.

By the imperative operation of our Corn Laws we have clearly seen that the demand for foreign grain can only be at uncertain periods, considerably apart from each other. For years successively these countries are altogether excluded from our markets, and, when at last they are admitted, it is at the very highest prices. This circumstance necessarily produces in these countries fluctuations even to a greater extent than are experienced in this country.

The extensive demand which was experienced from 1828 to 1831 for continental wheat, at very high prices, gave a similar impulse to its production that the high prices of that period exerted in this country; and the consequence was that, as soon as our prices fell to the point at which foreign wheat could no longer be admitted, the continental producers had two difficulties to

contend with—first, a greatly increased production stimulated by high prices ; and, secondly, the entire loss of the market which they had enjoyed to some extent for three years. Under this two-fold cause the price of wheat fell to an extremely low point ; the average price in Dantzic, in 1835, being only 23*s.* per quarter.

During these years of low prices on the continent the same effect on manufacturing industry was experienced as in this country. Throughout Germany, Russia, France, and Belgium a very rapid progress was made in the industrial arts ; a great quantity of capital, which would otherwise have been invested in agriculture, being diverted to these objects. The very low prices of the first necessaries of life leaving a large surplus to consume other products, an excited demand arose in exact proportion to this lowness of price.

With the continuance of low prices, and exclusion from the market, a re-action in agricultural production necessarily ensued, which became reduced to a limit of their own consumption.

When, therefore, a large demand arises for this country, such as was experienced last year, the prices on the continent are raised, even in a much greater proportion to their average prices than those of this country, by the inevitable process which we have examined in the Appendix to the second edition of the "Influences of the Corn Laws," &c.

By this means the income of the continental countries,

especially of France, Belgium, and others, which consume chiefly wheaten bread, is absorbed in a proportionably greater degree in payment for the first necessities of life; and leaving, therefore, so much less to expend in the products of other industries. The same reasons, therefore, that are acting in this country to contract the demand for manufactures, are acting in a stronger degree in the very countries from which we abstract, by the compulsory force of high prices, the quantity of food needed to make up our deficiency.

In proportion, therefore, to the amount of our accidental necessity of importing their produce, we raise the prices so much on them, that we reduce their means, for the time being, to consume their own manufactures, and therefore the difficulty is still greater to induce them to take any portion of our manufactures in return. At first sight this may appear a strange contradiction; that, by paying a country high prices for its produce, its power of consumption is thereby diminished; but we do the same in this country; we pay one class of producers a very high price for their produce, and are unable to consume the usual quantity of the produce of another class; and, although in this country the evil is rendered greater by our having to pay for the deficiency, while the continental countries receive the price of their surplus, yet, as concerns the ability of the masses of consumers, it is very much the same; in both cases the advantage of these high prices, being altogether accidental and not regular, goes to enrich the few, while the great masses, who are the chief consumers everywhere, suffer merely so much abstraction

from their ordinary means to enjoy other things. Hence we find that during the past year the falling off of manufacturing industry on the continent has been as great as in this country, and in many instances greater; for not only have they had a diminished ability of consumption, but they have also had to contend against the forced exports from this country; as an intelligent correspondent in Belgium writes, in relation to the decrease of the cotton trade of that country during the past year, that it was "partly owing to the high prices of bread-corn, but more especially to the competition of British manufactures, which, notwithstanding a high protective duty, have been imported and sold at such low prices as to compel our manufacturers materially to curtail their operations."

The following comparative statements of the trade of some of the most important continental countries, in 1838 and 1839, will show that the same corresponding effects have attended extremely high prices of provisions as in this country.

TRADE OF BELGIUM, 1838 & 1839.

COTTON WOOL.			
	BAGS.		BAGS.
Stock, January 1, 1838 .	2,566	January, 1839	3,881
Total imports in 1838 .	39,552	" "	22,766
Total supply " " .	42,118	" "	26,647
Stock left, December 31 .	3,881	" "	5,207
Consumption, 1838 . . .	38,237	" "	21,440

Showing a falling off of 16,797 bags in 1839.

SHEEP'S WOOL.

	BAGS.		BALES.
Stock, January 1, 1838 .	4,600	January, 1839	2,460
Imports in 1838 .	9,756	" "	7,982
	<u>14,356</u>		<u>10,442</u>
Stock, December 31 "	2,460	" "	2,150
Consumption of 1838	11,896	" "	8,292

Showing a falling off of 3,504 bales in 1839.

This table refers only to the wool imported by sea ; of that brought by land from Germany and the north of France we have no account.

These are the chief articles of manufacture in Belgium, except linen, the raw material of which being produced in the country, we cannot ascertain the quantities ; but in all the leading articles, contributing to manufactures, dye stuffs, oils, &c., the falling off has been on the same scale.

COTTON TRADE OF FRANCE 1838 & 1839.

COTTON WOOL.

	BAGS.		BAGS.
Stock on hand, Jan. 1, 1838 . .	63,500	January, 1839	62,000
Imported in " .	390,978	" "	342,100
Total supply " .	454,478	Total "	400,100
Stock, December 31, 1838	62,000	Stock, December 31, 1839	75,000
Consumption " .	392,478	Consumption " .	329,100

Showing a falling off of 63,378 bags in France and the neighbouring parts of Switzerland, in 1839.

The woollen and silk trades of France are so much of an inland character that we cannot arrive at any comparative statement; but the consumption of dye stuffs, &c., has also fallen off greatly in 1839.

**COTTON TRADE OF HAMBURG FOR THE SUPPLY
OF GERMANY in 1838 & 1839.**

COTTON WOOL.			
	BALES.		BALES.
Stock, January 1, 1838	16,600	January, 1839	7,960
Imports in " "	42,224	" "	40,956
Total supply " "	58,824	Total "	48,916
Stock, December 31, "	7,960	Stock, December 31, 1839	8,880
Total " "	50,864	Total " "	40,006

Showing a falling off of 10,828 bales in 1839.

And, in addition to all these deficiencies of the consumption of cotton wool, the continental countries have purchased from this country less cotton yarn to manufacture into cloth, by 14,700,000 lbs., in 1839, than in 1838.

But not only does it appear that a great falling off has taken place in the consumption of manufactured goods in the continental countries during the last year, but also that the same effect has been experienced with reference to other articles of colonial produce, of which we may quote *coffee*, as one of the chief articles of consumption.

The consumption of Belgium, as shown by the deliveries

in Antwerp; of France, as shown by the deliveries in Havre, and of the parts of Germany, drawing their supply from Hamburgh, as shown by the deliveries of port, were :—

1838.		1839.	
Antwerp .	17,642 Tons	Antwerp .	15,411 Tons.
Havre .	20,044,000 Demi Kils.	Havre .	15,550,000 Demi Kils.
Hamburgh	56,256,000 lbs.	Hamburgh	48,000,000 lbs.

The falling off of the consumption of manufactures and colonial produce on the continent has a two-fold effect on our manufactures and commerce: first, the excess which is everywhere experienced in the manufacturing districts on the continent compels them to force their goods into foreign markets, at the time that we are doing the same, and thus tends still further to deluge these markets; and secondly, as in ordinary times, a considerable portion of the supply of raw material, as well as colonial produce, consumed on the continent is furnished, either directly or indirectly, by means of British commerce, and in exchange for British manufactures, it follows that, in proportion as the consumption falls off on the continent, our trade must be lessened with those countries which originally produce these articles. For example, a large portion of the cotton wool consumed in Belgium and Germany is imported from the East Indies and America by us, in exchange for our manufactures, and re-exported by us to those countries. The same is the case, to a very large extent, with respect to indigo and many other articles. The returns for nearly the whole of our exports to the

Brazils, and other parts of South America, as well as St. Domingo and many other places, are made in produce ultimately consumed on the continent; the discriminating duties in favour of our own possessions excluding the produce of these countries from consumption here. It is thus seen that the extremely high prices to which food is accidentally raised throughout Europe by the necessary actions of our Corn Laws, inflicts the most serious and extensive evils to our commerce in many ways not visible at first.

If we had not the continental countries as customers for the coffee and sugars which we receive in exchange for our manufactures from St. Domingo (where coffee is the only exchangeable commodity they can offer), and the Brazils where it is the chief one, and the same exclusive principles continued which at present exist in favour of our own colonies, we should necessarily be deprived of these markets for our manufactures altogether.

The extent of our trade with neutral countries is, we believe, very generally under-rated: we find that about *three-fourths* of the whole of our exports of British produce and manufactures go to foreign countries, with which we have no other relationship than the strong bond of mutual interest; while only *one-fourth* of such exports go to our own colonies. This very extensive foreign trade, being carried on to a great degree, in exchange for commodities which we are practically prohibited from using in this country, we are only enabled to continue it by finding consumers in other countries for such produce.

Independent, therefore, of the vast quantity of foreign produce which is shipped, direct, on British account, to the continent, the re-exports of such articles from this country forms one of the largest branches of our trade. In 1838, we re-exported, in the latter mode, chiefly to the continent:—

Coffee	11,293,290 lbs.
Sugar	374,697 cwt.
Tea	2,577,877 lbs.
Cotton	30,644,469 „
Sheep's Wool . .	1,897,860 „
Raw Silk	166,767 „
Indigo	5,143,891 „
Pepper	3,077,109 „
Tobacco	13,294,212 „

Besides gums, dye stuffs, wines, spices, furs, and other articles to a vast amount, all of which may be considered as the payment for our manufactures sent to the various places from which they were imported; thus the consumption of cotton wool on the continent is one of the modes by which the growers in America are able to purchase our manufactures.

It must, therefore, be obvious, that if any circumstance occurs materially to diminish the rate of general consumption, on the continent, of those articles which we receive from other countries, in exchange for our manufactures, it must tend to reduce the consuming ability of our customers, by lessening the demand for their produce, and, ultimately, the demand for our manufactures.

It is therefore clear that we are interested in the uniform prosperity of the continental countries equally as merchants and as manufacturers ; and we cannot but think that the popular jealousy which exists against the advancement of those countries not only displays a spirit of culpable selfishness, but at the same time ill accords with a true and enlightened view of our own interests. In proportion as any country improves and advances, the general field of consumption is expanded, and must be beneficial, directly or indirectly, to producers everywhere : indeed two nations might exist, who had not one transaction directly with each other, and yet their prosperity might most materially depend on each other ; and while either was using means to injure the other, the greatest force of such injury might fall upon itself : such are the indirect and insensible modes by which different countries act upon each other. Neither national nor individual interests require to be guarded by a policy resulting from jealousy or envy ; but are best promoted by the exercise of a free, liberal, and benevolent principle, by which all are rendered prosperous and happy, and are only thus capable of again reflecting prosperous influences.

PART IV.

FLUCTUATIONS OF LABOUR.

It is impossible that these violent fluctuations in the demand for labour and the price of food can exist, without exercising effects equally violent on that portion of society whose only exchangeable commodity for their daily bread is their labour.

Very little reflection will shew us that the changes which take place in the condition of the working-classes, must be exactly corresponding in character and time with the fluctuations in the industrial world which we have examined : a little investigation on this subject may prove very useful.

It is a plain and easily-understood principle that the value of labour, like money, or any other merchantable article, must be regulated entirely by the proportion which the supply and demand bear to each other. These two elements, however, of regulating value, are acted upon by numerous secondary causes ; and, like all other articles, there will always be a tendency for an adjustment between the two. If the supply be larger at any one time than the demand requires, the price of the whole must necessarily fall in proportion to the excess, until, in course of time, low prices increase the demand, or, failing this, until the supply itself was reduced ; if, on the other hand, the demand materially exceed the

supply, the price of labour would rise until the enhanced cost reduces the consumption, or until the supply was increased, so as to be equal to the demand, to which there would be a strong tendency.

So far as to the price of labour generally, and with respect to any particular kind of labour, the principle is exactly the same. There are many considerations which influence the supply;—the time and expense necessary to acquire the knowledge;—the degree of certainty of demand and remuneration when acquired;—the healthiness and agreeableness, the respectability and station which society accords to the occupation. The demand for all or any must depend on the power of consumption; but as we have before seen that this power must ultimately be regulated by productive ability only, the proportion between the demand and supply ought always to remain nearly the same; and there can be no doubt that they would, were it not for the violation of their regulating laws by the interference of partial legislation attempting to promote particular interests; by which, although the object intended never was and never can be accomplished, a derangement ensues which leads to ruinous changes and fluctuations, afflictive of serious injury in their operations to all parties.

The two great distinctions into which we have seen society severed by such violence, are the agricultural and manufacturing.

It will be useful for the purpose of illustration to know

the relative proportion which these two classes of labour bear to each other. In 1831, the proportion of labour in England, in the two great subdivisions of industry, was 761,348 families agricultural, and 1,182,912 manufacturing, or about 50 per cent. more of the latter than the former; and there is every reason to think that at this moment the difference is even much greater in favour of the latter industry. In 1811 the difference was only 33 per cent., but gradually rose to 50 per cent. in 1831, and there is no doubt has still continued to advance since the last census.

This is important to know in a consideration of how and when labour is likely to be influenced by these fluctuations: for it is clear that labour generally must be influenced by the condition of that interest which retains and consumes the largest portion; and that, therefore, the position of manufacturing industry as employing the largest portion, must always be the index to the general state of labour.

If the manufacturing interest be prosperous, as in 1835, the great improvements and extensions which in such periods take place in our sea-ports and manufacturing towns, and by public undertakings of various characters, such as *railways, canals, &c.*, give a great impulse not only to the demand for manufacturing labour, but also for what may be called common labour; and therefore, at such moments when *provisions* are at the *lowest price*, and the *landed interest* in the most *depressed state*, wages of *all* kinds of labour have been highest. In 1835 and 1836, when the agricultural

interest was at the lowest point of depression, one of the great causes of complaint was, that labour was higher than it had been some years before, when the price of wheat was double. At this period, therefore, the whole of the labouring classes have three great advantages,—*full employment, high wages, and a low price of provisions*; they experience to its full extent the excitement which then prevails in the commercial world; labour of every description becomes greatly in demand, and commands high prices; the condition of the labourer everywhere becomes greatly improved; he inhabits a better class and a better furnished house; he contracts habits of comparative luxury. In every way his expenditure and engagements rise in proportion to his means;—marriages are numerous contracted; a great impulse is given to the increase of population by the extraordinary demand for labour. So great was this demand, that at this period there were instances of large manufacturing establishments standing still only for a want of work-people. In this state of prosperity, the working classes made great progress in intelligence and taste; and, generally speaking, their condition was materially advanced.

This would certainly be a most pleasing picture, arousing most gratifying reflections, if it were not alloyed by a conviction that this state arose out of a false and artificial excitement which could not be maintained, but which, on the contrary, must, ere long, lead to a *depression* as great as was the *excitement*.

But it can be no matter of surprise that this class should fail to discover, that the enjoyments and pros-

perity of the present could not last—that they should act as if it were to continue so for ever—that they should do all things in relation to the existing causes of the moment, without looking forward to the future. It cannot be matter of surprise that this class should do so, when we have seen all classes in their turns have committed the same error;—that the agriculturist cultivated during dear and excited years, in reference only to the existing state of things, and found, by doing so, that he brought loss and ruin upon himself by calling into existence a power of production at an expensive rate, greater than could be consumed at prices consistent with the cost; that the manufacturer, in his turn, used every effort to create a productive power equal to the demand he experienced, at the time of the greatest excitement, but which, by the time it was ready for full operation, was not required, and therefore may be called so much sacrifice of the profits of past years—that, in fact, all mankind are governed by the influences of the present, without much reference to the future.

We have already shown how delusive and ruinous to all parties such policy had proved, with what certainty a re-action succeeded such excitement; and it is now our melancholy duty to trace this re-action on the condition of the labourer.

We have already seen that from obvious reasons the fluctuations in the condition of the labourer (even agricultural) must correspond with those of the manufacturing classes; and, in addition to those reasons already given, it must also be obvious that when the latter in-

terest is greatly depressed, there must be a large quantity of labour usually employed in it, which, at such times, will come in competition with common labour, which, being of a less skilled character, is easily taken up by many not usually employed therein. It therefore necessarily happens, from all we have seen, that when provisions are at the highest point, manufacturing industry at the greatest depression, labour is least in demand and lowest in price. Our manufacturing and seaport towns, instead of absorbing and drawing towards them a portion of the country labour as before, (and so preventing any redundancy which might otherwise have been felt in the agricultural districts during depressed times,) now throw back upon the country a considerable amount of labour—there is no longer any great demand for internal improvements; and thus, when the agricultural interest is in a high state of prosperity and extension, the increased supply of labour prevents any increase of price.* Then comes the reverse of the labourer's former position; he is injured—he is compromised in *three* most distressing ways—*deficient employment, low wages, and a high price of provisions.*

The experience of the past year and the present

* We are quite aware that in some solitary instances during high prices, a slight advance has taken place in the price paid for agricultural labour: but this has not been general by any means, and may be termed rather the exception than the rule; and in no case has wages been raised at all in proportion to food; and in many cases among agriculturists have the money wages been lowered.

moment furnishes a most melancholy evidence of this deplorable experience of the whole labouring classes—of the existence of these ill-assorted elements of their condition: they are now called upon to relinquish all the habits of comparative comfort and luxury into which prosperous years introduced them; thousands of comfortable cottages built for them in the manufacturing districts and suitable for their means a few years ago are now empty, while several families are crowded into single garrets and cellars: the intellect that was partially expanded, the taste that was a little cultivated, are now of no use but to render less endurable the degradation which has come over them: the impulse that was given to an increase of population and physical productive ability only tends now by its consequences to swell the amount of evil and difficulty. Instead of the comparative plenty which was in all ways enjoyed only a few years ago, the most deplorable starvation and want now exists. Their marriages are denounced as “*improvident*,” because the altered state of affairs renders the obligations arising from them a burthen to themselves and the public. Improvident! Let the landowner excuse the improvidence of making laws which give deceptive promise of high rents which last for a year or two, and then fall lower than before, but on the strength of which an extraordinary scale of expenditure is incurred, which ends in embarrassment and mortgage—let the farmer excuse the improvidence of being led to an expensive culture of waste and barren lands, by the excitement of high prices and an expectation of their continuance, but which produce only ruin and dis-

appointment—let the manufacturer excuse the improvidence of creating factory after factory, and swelling the amount of his productive power equal to the wants of the moment, but which prove superfluous when done; and then will there be no difficulty in finding much more excuse for the misfortunes of these poor innocent victims of such laws—laws which teem with mischiefs of the gravest character to every possible class of the community, but which weigh with the heaviest and most oppressive anguish and suffering on the unemployed and starving labourer—doomed to see the only relicts of better times, the fruits of an “*improvident*” marriage, endeared to him the more from their innocent suffering, daily pining away before his eyes by want and disease. There is surely an awful responsibility for all this human suffering resting somewhere; and wherever it rests, a wilful ignorance of these facts can be no excuse; *if investigation be petitioned for, be implored for, information offered, evidence tendered, and all disdainfully rejected,* the responsibility for the consequences, for every pang of suffering, and for every crime arising therefrom, must rest upon the inflictors of this wrong.

There are two ways in which these times of depression act with increased hardship upon this class of sufferers: first, they are more than any other class innocent either of the original or immediate cause; and second, with this class only it becomes a consideration of daily support. The landowner, the farmer, and the manufacturer, are not immediately dependent upon the present moment for their daily food, but the poor labourer relies only

from day to day on the result of his toil for the existence of himself and those dependent upon him; when his labour, therefore, fails him, he is at once reduced to want. That a serious amount of crime and disease should arise out of such a state of destitution is only to be expected.

We find that there never have been times of serious and alarming crime, of public commotion and disturbance, of disregard to the laws of the country, excepting at such periods of high prices and want of employment. The disturbances which threatened the peace of the country in 1818 and 1819, the frame-breakers, the Ludites, and the serious occurrences in Manchester, were all promoted by this cause; but how soon all trouble and anxiety ceased on a return to low prices and full work. Again in 1829 and 1830 the same reason can be justly assigned for the violence of that period. The great distress and consequent discontent which prevailed in France in the manufacturing districts during 1829-30 led to the disturbances, and at length to the revolution in the latter year. By referring to the table, page 15, of the prices of wheat in France, it will be found that it was dearer for the two years preceding 1830 than had been the case for many years. Although on such occasions many engaged most prominently in agitation are not of a suffering class, yet all the attempts of such men would ever be in vain, if idleness, want, and starvation did not predispose the mind to crime, partly from desperation—partly from a delusive hope to alleviate their grievances and improve their future condition.

Nor is it to the labouring classes of this country alone that these fluctuations in the price of food exercise so severe a wrong. We have already shown that the manufacturing industry of the continent must necessarily suffer a depression as great as that of this country from the same cause; and therefore we find that during the last year, and up to the present moment, the working classes in France and Belgium particularly are suffering proportionably with those in this country; and we believe that sooner or later a similar action and re-action will be experienced in the productive labour of the whole world, deranging the whole social economy of this class, creating a great mass of misery, disease, and crime, and interfering most materially with the onward progress of moral and intellectual improvement.

Who, then, we ask, have been benefited by the Corn Laws? Who are interested in their maintenance?

Every class of society under their operation has been artificially excited in an extraordinary manner at particular times by false prosperity, which has been followed by an imperative re-action, bringing with it ruin and disappointment to all in their turn.

The deceit began with the law itself;—it professed, it promised what it never could fulfil; and just in proportion as people believed it could fulfil its pretensions, did it fail; just in proportion as the landowner and his dependants believed it would secure to them the high prices it professed to uphold, was the effort made by

each to secure to himself as large a portion of the benefit as possible. High rents were promised; extensive and enriched cultivation ensued, an immense increase of production was the consequence, in the great eagerness to reap the advantages of this law. This law was passed in 1828: before 1833 the struggle to reap its benefits and the competition for its promises had been so great, that overproduction, disappointment, and distress already were visible as the result. A parliamentary committee inquired into the agricultural distress of this period without any satisfactory result as to its cause; the tendency of the law still went on for two years more; the competition which had been created in productive power for high prices still so much further depressed the condition of the landed interest, farmer and landlord equally, that in 1836 another parliamentary committee was obtained to inquire into their distress. The evidence before this committee teems with the most instructive lessons of the necessary operation of such laws. The whole tendency of this evidence was to prove that the Corn Laws had, by inducing an expectation of high prices, raised rents very high; had called into cultivation a vast quantity of new land; had increased, by expensive modes, the productiveness of that which was in cultivation; had produced thereby a greatly increased supply, which being much more than could be consumed, reduced prices to a destructive rate; to the ruin of the farmer, to an impossibility of collecting the rents in full, to an ultimate reduction of rents, to a depreciation in the quality of cultivation; and, in many instances, to a complete abandonment. (See Appendix.)

With such evidence before us, how can we doubt the baneful effects that these laws have produced on the landed interest?

We have already sufficiently considered how the necessary re-action of these laws influenced the whole of the other classes of society; the capitalist, the merchant, the manufacturer, and the labourer;—to all they have been productive of constant and most injurious fluctuations and derangements. It may however be said that these fluctuations may be accounted for by the natural tendency which the human mind has to excitement and depression; each state necessarily producing the other by simple re-action.

We are free to admit that such impulses are evident and visible in the daily transactions of the world; but we cannot conceive that any one large class of men of one given pursuit should always be uniformly, and at the same time, and for periods of considerable duration, under the same impulses. We cannot suppose that the whole agricultural classes continue excited simultaneously for a few years, while the whole manufacturing classes are depressed—that the latter should thence become all excited, while the former become all depressed, except by supposing that some strong influencing cause existed which acted upon each as a class.

We must admit that there are some of the apparently more immediate causes of the depressions and excitements both of the money market and manu-

facturing pursuits, which we may be charged with having passed over without sufficient consideration, more particularly the derangements which have been so constantly occurring in our connexions with the United States, which, from the great extent of our business with them, cannot fail to exercise a most important effect upon us : but if we have passed them slightly over, it has not been because they have not seriously engaged our attention, but because the more we have examined and considered them, we can only treat them as part of the effects ; in the first place, as owing their origin altogether to the first great influencing causes of the fluctuations in this country. But, for the great excitement and unnatural abundance of money which prevailed in this country in 1834, 1835, and 1836, could the American crisis of 1837 have occurred?—and there would be little difficulty to show, if our limit admitted, that most of the speculative spirit which has existed in America, has been promoted in a great degree by the unnatural and extensive facilities afforded in this country at particular times, and consequently re-action and depression have never been experienced here without producing even to a more intense degree similar effects there, as they rely in every way so much upon their credit with this country.

To trace all the evils of the necessary tendency which we have shown these laws have in rendering the whole existence of present circumstances uncertain and fluctuating, would be a task of too serious a magnitude to undertake. From what we have seen, we must feel assured that they are opposed in their operation to every

effort of civilisation, to every effort of advanced and improved society, to every effort of science and discovery. The first and great object of all being to render uniform and certain the present and future supply of the great necessities of life, by distributing and equalising with certainty and speed the gifts which Providence plentifully bestows upon some parts of the earth to other places where they are required, and thus producing a feeling of reciprocal benefits and mutual reliance which cannot fail to advance the best and most enlightened interests of the whole human race.

APPENDIX.

THE following extracts from the Evidence given before the Parliamentary Committee in 1836, will show how far the opinions of the parties selected to be examined on the condition of agriculture, and the facts which they speak, agree with our theory. It will be borne in mind that this is the period in the fluctuation of great depression in wheat. As may be expected, from a number of men selected from all parts of the country, the different notions and opinions relative to the value and effect of the Corn Laws which are entertained will be found in all their different shades and forms; but what we want chiefly to show is the facts to which they speak:—that the Corn Laws gave delusive hopes to the landlord and farmer of high prices, which never could be maintained—that both were thereby entrapped to press their productive powers to an extent inconsistent with the consumption of the country by an expensive and ruinous outlay; that a reaction took place, in consequence of the excess of supply, by which prices were reduced as much below the fair average price, as the temptation had been held out of obtaining a price above it; that by this state of things the farmers had expended much capital on these improvements, and become ruined: the landlord was disappointed in the rent he expected: another reaction took place, land fell into bad cultivation and became unproductive—the excess of previous years became gradually consumed, after which the lessened production is inadequate to the consumption of the country—prices rise, and at the highest point the

foreign grower pours in his accumulated excess of several years. The English farmer had forced, by great additional expense, large crops of wheat, which he sold below the cost of production. He then lessens his production until it is very small, and when prices consequently rise very high, the foreign grower is chiefly benefited by selling his large excess at a price double that at which the English grower sold his excess a few years before.

It is curious to observe in this evidence, that wheat, the chief object to which protection has been directed, and which was so much encouraged in 1829-30 and 1831, was at this period, 1836, the only article that was pointed to as the certain ruin of the farmer; and that now, at a distance of four years, fluctuation has placed it in the same position again in which it stood in the first-named period:—

From the Evidence of Mr. John Ellis.

Mr. Loch. With regard to the question of low prices, have you ever considered how those low prices might be affected by the present system of Corn Laws?—Latterly they have not been affected at all by the Corn Laws, because we are living entirely on our own growth. I have thought a good deal upon the Corn Laws, and if I had been asked that question two years ago, I should have said, without hesitation, that it would be desirable to abolish the present system so as to have a fixed duty; but since I have seen that we can grow so much more than we want ourselves, I doubt whether that would be a safe plan to resort to. But I think the present duty is too high—for this reason, that I think it gives a fictitious value to land, that it gives the farmers an expectation that something is to come to their relief that can never arrive, and on that account it holds up the value of land fictitiously.

Then you think it induced the tenants to make larger offers

than in the result they have been able to pay?—I think so; farmers are naturally prone to expect high prices, and they have been expecting something that was not likely to happen.

Then what alteration would you recommend?—Mine is a vague opinion, but I should propose to retain the fluctuating duty, and to reduce it one-half. I think that that would be all the protection that we ought to have.

Mr. Clay. When you say “reduce it one-half,” do you mean that you would make it begin at 60*s.* instead of 70*s.*?—Yes.

Mr. Clive. Would you take off the extreme ends of the duty altogether?—I think it might be left where it is, only changing from 70*s.* to 60*s.*

Chairman. Would you stop at the two last stages of the scale, and have a fixed duty of 5*s.* and never a lower duty than 5*s.*?—That is a point upon which I have not thought; but I should not think that would be a bad plan, because I think the 5*s.* would be no injury to anybody.

Mr. B. Baring. You object to the present scale of Corn Laws, because it encourages delusive hopes in the farmer’s mind; is not the farmer undeceived at present?—I think the farmer is anxious for some change in the Corn Laws, he does not know what; but he finds that he has not got the advantage that he expected to get. The fact is, that it is the seasons and himself that have brought these low prices upon him.

The present Corn Laws no longer continue to raise their delusive hopes?—I cannot say; the men that occupy the poor soils are not very intelligent men.

Would not any change encourage other delusive hopes?—Not if you were to lower the duty.

It is for the advantage of the farmer to raise prices, is it not?—I do not think so, I am not of that opinion, I do not think it is the advantage of the farmer to have very high prices.

What do you consider most advantageous to the farmer?—A steady price; that the farmer when he goes to take land should look to some steady price, and not look to adventitious circumstances to help him out of a difficulty.

What is the effect upon the market of the present Corn Laws?—It has no effect at all now; the supply of corn is a mere supply and demand amongst ourselves.

In the long run what has been the effect of the present Corn Laws?—It has tended to keep up the price when we have had bad seasons.

Do you think the present scale has had the effect of creating greater fluctuations of price than there would have been under a more reduced scale?—That is a question that I cannot answer, not having been in the corn trade, but I am certain that the Corn Laws have raised delusive hopes in the farmers.

Mr. Clay. You are decidedly of opinion that steadiness of price is the circumstance most important to the farmer?—My opinion is not in accordance with that of most people with respect to the interests of landlord and tenant; up to a certain point I hold that they go together, that it is the interest of the tenant to keep the land in good condition, as it is of the landlord that he should do so; but his landlord's interest is to have a high price to enable him to pay a high rent; I do not think it is the tenant's interest to be clamorous about a high price; it makes very little difference to me whether I pay a high price or a low price, and I think the country thrives better all round me if the price is a moderate one; it is better for me not to have a high price, provided my expenses are in proportion.

The farmer is a capitalist, and it is of importance to him to be able to calculate the returns upon his capital?—Just so.

He would do that better and feel more certainty if he were sure of a steady price of wheat?—Yes, he would.

Supposing that the present system or any system of Corn Laws tends to produce fluctuation in the price of wheat, that

must be ruinous in its consequences to the farmer?—There is no doubt of it.

Mr. Miles. Do you think you could do without protection altogether?—Not in the present state of things; I think we must come to that ultimately, but we must go by easy steps.

But you think that the poorer class of farmers at present look at 60s. as the price at which wheat can be maintained?—Yes.

Is it your opinion that upon the average of years prices can attain to that height?—It is my opinion that they cannot, and that they will not attain 50s. with fine seasons.

And the consequence is that the poorer farmers have fallacious hopes raised?—Yes.

From the Evidence of Mr. John Hancock.

Mr. Sanford.—Have you any observations to make with regard to the state of agriculture in the neighbourhood with which you are acquainted, which you would wish to add to the evidence which you gave in 1833?—Yes, certainly it is worse than it was. Wheat has gone down from 1s. 6d. to 2s. a bushel.

In consequence of the low price of wheat has there been much less land sown to wheat the last year?—I should think much less; one-fourth, and from that to one-fifth.

From the Evidence of Mr. Robert Hatch Stares.

Chairman. Are you acquainted with the condition of the farmers of a considerable district of Hampshire?—Yes, I value the land occasionally, therefore I have an opportunity of knowing the situation of many of them in our own county.

Comparing their condition at the present time with their condition in 1833, is it better or worse?—Decidedly worse.

To what do you attribute that?—Low prices.

From the Evidence of Christopher Comyns Parker, Esq.

Chairman. What is the condition of the farmers in that part of the county of Essex with which you are so well acquainted?—The condition of the farmers in part of my neighbourhood has been very bad.

Where farms have been re-let to new tenants, have those tenants gone on in improvements in draining, and so on?—I have never seen more improvements in draining, liming, and chalking, than within the last three years.

Do you consider that the distressed state of those farmers can be at all attributed to the rents not having been lowered sufficiently in time?—I should say very materially, the landlords not prudently lowering their rents earlier than they have done.

Do you think the total reduction of rent would have been less if the rents had been lowered sooner?—I know farms that men of capital were occupying that were 25*s.* and 30*s.* an acre, and they offered a pound, and they have since been let for 12*s.* to 14*s.* and 15*s.* an acre, and I believe that had they been reduced to 1*l.* at that time, those tenants would now have been in possession of them, and they would never have been impoverished in their cultivation.

From the Evidence of Mr. William Cox.

Chairman. For the last three years have you been farming that land to a profit?—Decidedly not to a profit.

Are the farmers doing well or ill that occupy land of that description?—A great part have failed: and more than half the rest, if they were to reckon, would be insolvent.

Chairman. What is the condition of the labourers in your neighbourhood?—The labourers are not well off in Buckinghamshire.

Are there many out of employment?—We have not so many

out of employment as we had ; there are very few out of employment now, in consequence of the railroads and other public works.

Chairman. Have new tenants been found for unoccupied farms?—For some of them there have, and some of them are in the landlord's hands ; a nobleman has two on hand near Aylesbury.

Were those farms exhausted by the tenants before they left them?—One of those alluded to had as good a tenant upon it as any in the country.

Have those farms been offered to be let at a reduced rent?—I cannot say ; but I know the landlord would not occupy that description of land, if he could get good tenants.

Mr. Loch. Are those farms in a good state of cultivation?—One was in the hands of a very excellent farmer.

In what condition did he leave it?—I think it was left in good condition.

Has there been any draining or other improvement made in the farm?—The proprietor has drained it since he had it on hand.

Was the other farm in good condition?—I think it was..

Mr. Clive. Were the buildings in good repair?—Yes, they were new.

Adapted for the convenience of the farm in all respects?—Yes.

Mr. Loch. Then why did the tenants go?—They went because they had lost a good deal of money.

Chairman. If the rent of those farms had been reduced after the war to a proper level, do you think those farmers would have left those farms?—There is one of them that I would not have without rent at all.

Sir Robert Price. What was the rent?—I suppose 15s. an acre.

Chairman. Why would you not have it without rent?—Because I should lose money.

From the Evidence of Mr. John Brickwell.

Marquis of Chandos. What is the state of the part of the county in which you reside?—I hear complaints from the farmers whom I meet, that they cannot pay their way; that produce is selling so low, they are very much distressed: that is the general complaint when I meet them.

Was there not a farm in the neighbourhood of Buckingham which was thrown entirely out of cultivation?—There are two; this was in the parish adjoining that in which I live; one adjoining my own farm let three years ago at 5s. an acre, and wheat was then 7s. per bushel, and now wheat is 4s. 6d., that farm can be of course worth nothing; the persons who see it all refuse it at any rent.

On what ground do they refuse it?—Because the price of produce will not answer.

At what did that farm let several years ago?—At about 20s. an acre; it was a poor farm, rather wet clay land.

How many years ago?—I should think about 1826 or 1827; I do not know what the exact rent was; I believe it might have been about 20s. an acre, and now it is worth nothing.

Should you say that the cultivation of Buckinghamshire has fallen off within these last eight or ten years?—I should say so in the neighbourhood in which I live.

In what respect?—The land is getting very foul and over-cropped; in some places driven further than it should be.

From the Evidence of Mr. John Houghton.

Marquis of Chandos. Have you not arable farms in the county of Buckingham, over which you are steward?—Yes, I have.

What is their state now, compared with the state of the

grazing farms to which you allude?—On the heavy clay lands the distress is very great, more than it is on the turnip and barley lands, or grass land.

How do you account for that distress upon the clay lands? From the low price of wheat.

Do you find that the capital of the farmers has been diminishing?—Certainly; I think the great distress has been on the heavy land farms.

Have the farmers been paying their rents out of their produce, or out of their capital?—If you take the heavy clay land, certainly out of their capital.

The chief complaint is on account of the depression in the price of wheat?—Yes, that is where the farmer is suffering most; that is where he looks for his rent in the spring of the year, when he should have the price of his wheat to raise the money for his rent; when he is looking for a large sum of money to meet his payments; when he comes to thresh out and carry to market, his expenses almost take the whole price.

Mr. Cayley. Can you assign in your mind any particular reason for the estate alluded to becoming so much diminished in value as to fall within the grasp of the mortgagee?—My opinion is this, that it is that description of soil that will grow nothing in its present state but wheat, and wheat has been so very low in price that persons have not been found to purchase it.

From the Evidence of Mr. John Rolfe.

Marquis of Chandos. What is the rent you pay for land?—Twenty shillings per acre.

Do you use wheat for any other purpose but that of human food now?—I have not done it; some have ground wheat for the pigs: some have given it to their horses, but that was principally the grown wheat of the last harvest but one.

What is the cost of the cultivation of your farm per acre now,

as compared with what it was some years ago?—The cost of cultivation is very much the same ; there is a little difference in the price of labour.

Mr. Cayley. Can you state how rents are paid in your district?—Rents have heretofore, till the last two years, been very well paid.

How have they been paid since 1833?—They have been paid very badly.

Even on the light soils you speak of?—Yes.

What will become of the landlord?—We shall be all beggars together.

Do you think then that the tenants of this country to a great extent hold their farms upon sufferance only, and at the mercy of the landlords?—Yes, I do.

To what extent should you say that was the case?—I should say that one-half at least in your neighbourhood are subject to that. In the parish where I reside, to my own certain knowledge, if the landlord was to say, I will have the whole of the rent that is now in arrear, the tenant must give up.

Then you mean to say that one-half of the tenantry in your district are insolvent?—Yes, I do.

Has the reduction in rent been equal to the fall in price of corn?—Certainly not : nor if the whole of the rent was reduced it would not be equal.

Mr. Miles. When any farms are untenanted in your district, is there any difficulty in getting tenants?—Yes.

From the Evidence of Mr. John Kemp.

Marquis of Chandos. With regard to wheat, you state that the market is down as regards that ; can you assign to the Committee any cause for that depression in the wheat market?—No, I cannot ; unless it is from the productions of the seasons ; in the last three years there has been a great im-

provement in the average quantity per acre on our growth, and consequently the supply has been greater.

Do you consider, then, the quantity of wheat in the market has been the cause of the depression of the price?—I should say so.

Has the capital of the farmers in your neighbourhood, and under your knowledge, diminished or not?—Very much diminished.

Has any land gone out of cultivation in your neighbourhood?—No, I believe not; there has been a great quantity of land left on hand with the landlords, and they have taken it and farmed it themselves; that has been very much out of condition.

What is the state of the small farmer about you; the man who rents an hundred acres?—As bad off as the poor man.

Are farmers paying rents from their profits or their capital?—From their capital.

Have the rents been sufficiently reduced in your neighbourhood, do you think, compared with the reduction in the price of corn?—Certainly not, compared with the price of corn; I think in many instances, if the tenants were farming without paying any rent, they would not be able to do more than to keep themselves up.

Suppose the landlords sued their tenants for all arrears, what do you think would be the consequence to the landlords?—They would have all the farms on their hands.

You consider then that the tenants now are merely holding their farms on the sufferance and at the mercy of the landlords?—In many cases that is the case; where they are not, they have borrowed capital to carry on their farms with.

From the Evidence of Mr. William Thurnall.

Mr. Cayley. Do you think that as yet they have reduced rents equivalent to the reduced price of corn?—If my landlord

would offer me my farm rent-free, as we have had the prices lately, I would not accept it.

Do you know many farms similarly circumstanced that you would not take rent-free?—I scarcely know one.

What, in your opinion, is the condition of the tenantry generally in your neighbourhood?—I think verging on insolvency, generally in the most desperate state that men can possibly be.

You say that you are an oil-crusher, do you sell as much oil-cake as you used to do?—Not a fourth; I have sold more oil-cake than all the crushers in my neighbourhood do now; there are five in that trade, and in rape-dust, which is very considerably used in our neighbourhood; the trade is reduced to a mere nothing, in consequence of the farmers not being able to purchase it.

In consequence of the farmers not using this rape-dust, can they grow as good crops as they used to do?—*Certainly not, and the land will feel it in the course of a year or two very materially indeed.*

You say that you sell less oil-cake and less rape-dust; do you get as well paid for that as you used to do?—No, that has caused me many unhappy moments; I believe at this moment my book debts with the farmers are not worth ten shillings in the pound; there are two farmers in the Cambridge gaol at this moment, and I dare scarcely open a letter, knowing the state of the farmers, fearing that it may contain notice of some bad debt or other.

Are those men who are verging on insolvency, men of prudent character and industrious habits?—I am speaking only of that class of men.

And yet those men are on the verge of ruin?—Yes, not only in Cambridge, but, generally speaking, great part of Norfolk, Suffolk, and Essex.

From the Evidence of Mr. Robert Babbs.

Marquis of Chandos. Do you believe whether the farmers are paying their rent out of their capital or out of the profits of their farms?—I believe the farmers have been paying their rents out of the capital they employ.

Is that your case?—It has been my case.

Has the land been cropped harder in your neighbourhood than it used to be?—I think it has.

What is the state of the small farmer as compared with the man that occupies largely?—I think he is very little better than a pauper, a 40 acre farmer.

From the Evidence of Mr. Charles Howard.

Mr. Cayley. Taking the period since the last Committee sat in 1833, what do you consider to be the comparative state of the farming interests now and at that time?—Decidedly and progressively worse.

Do you take into your consideration every species of land, or one species of land more than another?—I think upon the sheep farms, the upland farms, from the increased demand which there has been for sheep, the distress has rather decreased; sheep have been very high.

Then with respect to the low land farms?—Their situation has been progressively much worse.

Have the Holderness farmers in your opinion been paying much rent, or has the cultivation paid the expenses in the last three years?—The rents have been considerably reduced; but those reduced rents have been paid from the capital of occupiers.

From the Evidence of Mr. James Grinding Cooper.

Chairman. Where do you reside?—At Blythburgh, in Suffolk.

What is the state of the farmer?—The condition of the

farmer I consider to be bordering on ruin ; he is not so well off as he was in 1833.

Do you know any farms untenanted in that part of Suffolk ?—I know a farm that has been untenanted till within the last month or so ; the landlord could not let it ; but I think he has let it within the last month or six weeks.

Was it let at a reduced rent ?—I believe at a very reduced rent.

To a man of capital ?—I believe to a man of capital at the present time.

Do you know any other farms that have been without tenants ?—I have known a small farm last year without a tenant ; it was a considerable time in letting.

What sort of land was that ? The principal part of it very heavy land.

From the Evidence of Mr. Samuel Byron.

Chairman. Do you rely entirely or mainly upon your wheat crop ?—The small farmers do rely almost entirely on the wheat crop.

To what do you attribute the low price of wheat ?—I attribute it in the first place to an abundantly great harvest, in the next to the great quantity of grazing land that has been converted into tillage.

From the Evidence of Mr. Robert Hope.

Mr. Loch. Have you ever thought anything about the present Corn Laws, whether they are beneficial to the farmer, or not ?—Yes, they have been often discussed ; but it is a very general feeling among those that pay Corn-rents, that they have not been hitherto beneficial, but the very reverse of being beneficial.

What is your reason for that opinion ?—It induced men to offer more than has been well realised by the price of corn, because it was generally expected from the Corn Laws, that

prices would be kept up to something like what they promised ; that the import of foreign corn would be restricted, and by that means keep up the price of the home growth to 70s. or so.

Is it the operation of the law, or some other cause, that has made the price of wheat so low, in your opinion?—I think the law has had nothing to do in bringing down the price of wheat ; I think it is the favourable seasons and the abundant crops.

The favourable seasons and the abundant crops have affected the price of wheat, not the Corn Laws?—Yes.

Then how has the Corn Law disappointed your expectation?—Because it led those that took farms at money-rents to give a much higher rent than they would have done.

Then they did not calculate upon such favourable seasons?—They did not expect that a series of favourable seasons would ever reduce prices at the rate we have seen the last six months.

Then is it the opinion of you and those other gentlemen that have considered the subject in the way you mention, that the present Corn Law ought to continue, or do you think that that any change would be beneficial to the farmer?—From what we experienced in the year 1831, I am disposed to think that a change would be more beneficial to the farmer, by reducing the scale at which foreign corn is imported.

By reducing the limit?—Yes.

How would that be more favourable to you?—Because prices were run to the top of the scale in 1829 ; before any foreign corn could be imported, they were run up so high as 70s. a quarter ; when we could not grow so much wheat as we paid in rent, and had the price only run up to 60s. a quarter, we should just have had so much less money to make up the deficient quantity of wheat.

Then it is as affects corn-rents that your observation applies?—It applies entirely to that.

Mr. Sanford. You have stated that the existing Corn Law you consider is prejudicial to the farmer; is your opinion founded upon the circumstance of there having been a miscalculation as to the effects to be produced by the Corn Laws, or upon the working of the Corn Laws themselves?—I think by the present working of the Corn Laws that it may run prices too high for the interest of the farmers in years of scarcity; before any foreign corn can be admitted into the country, prices may be run up so high as to be prejudicial to the interest of the farmer; because in such a year as we had in 1831, we could not grow so much wheat as we had to pay in rent.

Mr. Clay. If the result of this Corn Law should be to produce great fluctuations in price, you would think that effect would apply to all farmers?—I think it has been prejudicial to those that even pay a money-rent, because I am sure that if it had not been for the Corn Laws, they would not have given so high a money-rent.

Mr. Sanford. That proceeded from a miscalculation, upon their part, as to the effect to be produced by the Corn Law?—It was merely a miscalculation.

From the Evidence of Mr. Andrew Howden.

Mr. Cayley. If you had been sold off in 1820, do you think you would have been better off than you are now?—I do not know that mine is a fair case to be taken as a general case, because I started very poor in life, and I have had a hard struggle, and other circumstances that contributed to assist me: I am the only remaining farmer in the parish where I was brought up; except myself, there is not a farmer nor the son of a farmer remaining within the parish but myself.

What is the reason of their having all gone away?—The money-rents that were exacted of them; they all conceived that they were to have 80s. a quarter, and their calculations

were made upon that ; it soon appeared that that could not be realised, and they were not converted, and ruin has been the consequence.

Then there has been a great change of tenantry in your neighbourhood?—There has been.

And that has been caused by the fall of prices?—Yes, and the want of accommodation on the part of the proprietors.

The proprietors have not reduced their rents in proportion?—They now have generally done so ; but they were later in doing it than the circumstances required, and therefore the tenantry fell.

In your opinion, did the Corn Law that was made in 1815 deceive both the landlord and the tenant?—It did ; I believe that the calculation upon which they took at that time was almost universally 4*l.* a quarter.

The general impression was, that the Corn Laws then made would have the effect of keeping wheat at the price of 80*s.*, and both landlord and tenant were deceived in that?—Yes.

There was some other cause at work, which brought the price down?—I do not know.

If the Corn Law had not the effect of keeping up the price, something must have reduced the price?—It did reduce ; but as to the cause, I shall not pretend to say.

The Corn Law having promised a price of 80*s.* failed to perform it?—Yes.

From the Evidence of Lawrence Oliphant, Esq., M.P.

Mr. Cayley. Have you ever made a comparative estimate of the increase of the growth of wheat, and the increase of the population since the fall of prices?—I believe it was a very general opinion, at the time of the first Corn Law in 1815, that this country could not produce anything like what it consumed. The consequence was, both the farmer and the proprietor conceived

that, by getting the ports shut up at a particular price, the monopoly would be complete with regard to our own produce. It certainly was so, but the increase of cultivation has far outstripped the consumption, and our low prices are now attributable simply to two or three good years, and the increased cultivation by bone manure and furrow-draining.

From the Evidence of Mr. William Bell.

Mr. Loch. In your opinion, can Parliament do anything to relieve the farmers?—I am not satisfied that they have the power of doing anything; if they did anything, I think it would only shift the burthen to the consumer.

Have you ever thought whether the Corn Laws affect the farmer beneficially or otherwise?—The present Corn Laws have operated of late as a complete prohibition against the sale of foreign corn, and I cannot conceive that any other protection can be given beyond a monopoly of the market.

Do you conceive that a system of average, such as the present, or a fixed duty, would be beneficial to the farmer?—I am not sure that a fixed duty would not be ultimately the most satisfactory; but it is a difficult question, because a fixed duty in scarce seasons would not be submitted to.

Upon the whole, are you satisfied with the present Corn Law?—I should consider it a complete protection against foreign corn.

And you would make no alteration?—Unless an alteration was made to a fixed duty.

Mr. Handley. What is your reason for supposing a fixed duty would be preferable?—By the present Corn Law, whenever the price approaches near the rate at which the foreign corn can be brought into the market with a profit, the prices may possibly be run up to that rate by artificial means; thus a great quantity of corn would be improperly liberated and

thrown upon the market, and this might probably depress the market for the whole season ; now at a fixed duty that could not take place.

Do you consider that a fixed duty would have the effect of preventing fluctuation ?—I think so ; I think it would make the price more uniform.

You are aware that there are two articles of agricultural produce that for years were subject to a fixed duty, namely, wool and tallow ; are you aware whether or no they have not fluctuated very considerably in price ?—They have fluctuated very much ; but I understand that wool was only at a penny a pound, a mere nominal duty.

Has the foreign corn imported into this country been the surplus corn of Europe, or has it been grown expressly for this market ?—I believe that it is the surplus corn of Europe ; this is the best market they can bring it to.

If by a fixed duty you made this market a certain market, is it your opinion that considerable tracts of country might not be brought into cultivation on the Continent expressly to supply this market ?—Perhaps they might to a certain extent.

Would not that be prejudicial to the farmers of this country ?—They would probably take something else from us in lieu of that.

Under the present system of Corn Laws, when a prohibition lasts so many years as it has done, is not that the best protection against the growth of foreign corn for the supply of this market ?—I have stated distinctly that I think the farmer has no reason to complain of the present law ; that it is a sufficient protection to him.

Have you ever considered what would be the proper amount of fixed duty ?—My notion would be, if a fixed duty was to take place I would lay it on as high as the country could bear it, and I would reduce it gradually 1s. or 2s. every year, till it came to a nominal duty ; and during the operation of that, the

landlord and tenant would come to an adjustment, and the land would find its natural value.

If such then be the effects on those interests, which were intended to be benefited and supported by the present Corn Laws, on what principle can their continuance be defended or sought for?



